

JPRS-CAR-88-004
12 FEBRUARY 1988



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JPRS Report

China

China

JPRS-CAR-88-004

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SOVIET UNION

China Resumes Repair of Soviet Ships in 1987
HK250346 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 25 Jan 88 p 1

[Text] For the first time in 20 years China has repaired Soviet ships in its Dalian, Shanghai, Jiangnan, Wenchong and Xingang shipyards. In 1987 a total of 10 Soviet ships were repaired.

NORTHEAST ASIA

Upsurge in Ultra-Nationalism May Land Japan in Crisis
40050055 Beijing SHIEJIE ZHISHI [WORLD AFFAIRS] in Chinese No 18, 16 Sep 87 p 12

[Article by Zhuge Weidong [6175 5514 5588 2639]: "Rising Chauvinism Does Not Bode Well for Japan"]

[Text] As its economy expands, chauvinistic feelings that Japan is the most superior nation in the world also have been growing in Japan. Historically, however, whipping up this kind of sentiment has not done Japan any good. Shouldn't the Japanese concerned learn from history?

A Japanese said, "When I was in the West, I saw Japanese cars zooming everywhere. It suddenly dawned on me that Japan, the power once defeated in war, has stood up again."

In recent years, as Japan's status as an economic giant became more and more secure, not only has a collective self-admiration spread among the Japanese people, but Japanese nationalism has also been resurrected.

As early as 1970, a Kyoto University professor claimed in his book "The Ideological Structure of the Japanese" that the Japanese and Japan's social system are unique: with no class antagonism, Japan is a special island nation favorable to economic development. Comparing Japanese with Jews, the author of "The Japanese and the Jews" wrote expansively about the former's superiority. A Japanese psychiatrist earned instant fame for authoring a book declaring that Japanese were uniquely more intelligent than other peoples. A Japanese psychologist openly argued that Japan achieved modernization so rapidly precisely because all Japanese share a faith born of a common blood lineage the core of which is the emperor. The emperor and the common people form an organic whole. What the Japanese are pursuing nowadays, he says, is exactly this kind of organic wholeness.

Some people in Japan's intellectual circles today have found a renewed interest in the Nishida philosophy, the ideological kernel of which is emperor worship. The philosophy, once regarded as a creed by fascist soldiers, reached its epitome during the Pacific war of aggression instigated by Japan. Now one named Kunio Suzuki has started a so-called "spiritual movement" and founded a

monthly titled "Kofuku," vowing to restore the lost "pure Japanese spirit." He is bitter toward those Japanese who concede Japan's guilt for starting the war of aggression and blames the United States for dominating Japan.

In 1980, Prime Minister Ohira said Japan should move from the economic age to a cultural age. Calling for the creation of a solid defense of national feelings, the present Japanese government has even made the cultivation of a sense of Japanese national identity a major step in bringing about a "final postwar political accounting." The Japanese government also has appropriated ¥20 million to build an international Japanese cultural studies center to establish the special Japanese character and nurture the nation's sense of cultural identity. The center's head, Umehara, believes that Western civilization is threatening the world like a plague, but Oriental civilization, especially Japanese civilization, offers a way out. In other words, the future lies with the Japanese spirit. Like Nishida 40 years ago, Umehara today claims that the Japanese spirit will produce a principle applicable to the entire world. The imperial system must be applied to all nations. Thoughtful people overseas have commented that the danger of this kind of ideas is that it may lead to dictatorship at home and national conflicts abroad.

After visiting Japan, some foreigners say that chauvinistic feelings are on the rise in that nation; everywhere one senses that the Japanese are belittling others while building up themselves. Last year the Japanese prime minister openly charged that Americans have lower levels of intelligence than Japanese, thus touching off a storm of popular indignation among U.S. officials and citizens. Shuji Umano, an author, writes recklessly that America is only a nation of immigrants descended from the lower classes of other countries. A flurry of books has come out which are patently hostile to America, such as "Can America Be Trusted?" and "The Japanese-U.S. War Has Not Ended." Some Japanese also are wantonly insulting to other nations in the world, for whom they hardly have any respect. A public opinion poll published in the November 1986 issue of DIME magazine, whose readers are mostly young people, lists some obscene reasons to suggest that "Italians are the most inferior bunch of people in the world," drawing protests from Italian writers and sociologists. To boycott European goods, some Japanese claim that European sleds should not be used in Japan because Japanese sleds are unique." In addition, a few anti-Semitic books describing the "Jewish conspiracy" have also appeared, some having sold a record 500,000 copies. Uno Masami, who heads the Japan Middle East Research Center, writes that Jews have caused the value of the yen to soar and Japanese factories to close down. Jews, he declares, monopolize such big corporations as IBM, Exxon, Ford, and General Motors, forming a state within a state in the United States. In essence, the "United States is a Jewish nation." He claims that Reuters, the largest news agency in the West, was founded by a Jew and exercises an influence

on the Associated Press, United Press International, and Agence France-Presse. As a result, he argues, Western press reports are all biased. This prompted U.S. Senator Arlen Specter and Representative Charles Schumer to write a joint letter of protest to Prime Minister Nakasone, criticizing him for acquiescing in some of his nationals' anti-Semitic actions.

Many insightful Japanese have remained sober in the face of burgeoning ultra-nationalism. A number of Japanese newspapers have pointed out that the real reason why Japan's nationalistic spiritual faction advocates "ethnic purity" and "spiritual unity" with so much sound and fury is to rewrite the history of World War II. Ooe Kenzaburo, the famous author, wrote in September 1986 that the intellectual's primary mission in the post-war period was the rational examination and criticism of fascism, which gave rise to emperor worship, and that it was only by reflecting on its defeat in the war was Japan able to find the right path to modernization. Today, however, some Japanese are jettisoning what they have gained ideologically. This makes it certain that the Japanese society will stumble into yet another crisis. 12581

EAST EUROPE

SHIJIE ZHISHI Notes Policy Changes in Albania

HK170701 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 24, 16 Dec 87 p 19

[Article by Zhou Qunying [0719 5028 5391]: "Albania: Changing Slowly and Prudently." Material in boldface as published.]

[Text] It has been more than 2 years since the new Albanian party and government leaders took office. The new leadership has adopted some new practices in both its domestic and foreign policies on the basis of "resolutely continuing in the path of Enver Hoxha." Commenting on them, foreign dispatches said: "The most cocooned nation in Europe . . . is entering upon a new stage," with the surfacing of "slow and prudent changes."

Albania had met with economic difficulties since the end of the 1970s. Production plunged, while the national plans failed in successive years. On several occasions since Ramiz Alia took office, he has pointed out: "Economic problems have become a cause of unease for the party and the state." He stressed that "achieving complete and perfect economic management and production relations is the need of the times," and that "there is no reason to waver in necessary reforms." Thus, some readjustments have been conducted in economic departments, and since then some changes have taken place. **The first change is the advocating of relying on economic means in economic management.** Starting from the second half of 1985, Albania began to pursue the "job-related wage system" in some industrial and mining

enterprises, and to introduce material incentives to some degree to stimulate the improvement of labor productivity, with the measures of rewarding those who overfulfill production quotas and raising of the purchase prices for some farm produce being adopted in agriculture. At the same time, production teams were allowed to build up their own small herds with self-raised funds. This has changed the past practice of breeding livestock only in large collectives. The Albanian Council of Ministers has adopted four consecutive resolutions this year to stress production management by economic means, and decided to readjust prices and to harmonize social, collective, and individual interests. **The second change is some readjustment in the economic structure.** Over a long period, Albania had implemented economic development principles characterized by attaching importance to industry while playing down the role of agriculture. Even in the industrial field, heavy industry was often given priority, while the development of light industry was neglected. As a result, the economic structure was seriously out of proportion. But now, Albania has begun to stress the development of light and foodstuff industries, while guaranteeing priority to developing industry and stepping up agricultural development. Worth noting is the fact that in 1987 alone, the Central Committee of the Albanian Workers Party called four consecutive plenary sessions which focused on the issue of food supply for the urban and rural populations, with the effects being a gradual increase in the production of daily consumer goods and better conditions in market supply.

In international relations, Albania has gradually strengthened its activities in foreign affairs, with the stress on "complete self-reliance" and focusing on developing bilateral relations, while implementing the policy of "neither opening up to the world, nor severing all intercourse with other nations." Relaxation and a certain degree of flexibility are shown in the following respects. **First, stepping up the establishment of diplomatic relations.** Over the past 2 years, Albania has actively improved its relations with some foreign nations, and settled some issues left over from history. Since the beginning of this year, it has officially established diplomatic relations with Jordan, the Philippines, Bolivia, Canada, the FRG, and Uruguay. For Albania, this is a record year with regard to establishing diplomatic relations. The most eye-catching event was the establishment of diplomatic relations with the FRG. Prior to this, talks had been carried on for more than 3 decades. The dispute lay in Albania's insistence on indemnity from the FRG for the losses (amounting to \$4.6 billion) incurred during the German occupation as the precondition for the establishment of diplomatic relations. However, the FRG rejected the term "indemnity," but was willing to agree to provide Albania with an equal sum in economic aid and loans. That proposal was, in turn, rejected by Albania. As a consequence, no progress was made despite the marathon talks. It was not until the end of 1986 that Albania gave up the above-mentioned precondition, and the two nations established official diplomatic relations in October 1987. Less than a

month after the establishment of diplomatic relations between the two nations, the FRG's Minister of Foreign Affairs, Genscher, made an official visit to Tirana. Genscher is the highest-ranking Western government official to visit Tirana to date. The foreign press believes that was the most important step in Albania's foreign policy in recent years. **Actively improving and developing its relations with neighboring nations.** Albania's relations with its close neighbor, Greece, have developed rapidly in recent years. In August this year, the Greek Government announced the official abolition of the "State of War Act" against Albania. The very next day, the Albanian Ministry of Foreign Affairs issued a statement welcoming this gesture. Thus, Albanian-Greek relations have reached their highest point since the two nations established diplomatic relations in 1971. Greece has now become one of Albania's major trade partners.

Albania's relations with Yugoslavia had all along been rather tense. However, economic and trade relations between the two nations are developing. In August 1987, the Albania-Yugoslavia Railroad, the first of its kind to link Albania with Europe, was completed; its economic and political significance is great.

As is universally known, Albania has never participated in any conferences of the Balkan nations. This year, the Albanian Minister of Foreign Affairs, Reis Malile, has for the first time expressed Albania's position and willingness to settle existing issues through bilateral talks in his speech at the UN Assembly. In October, the Albanian Government decided to participate in the conference of foreign ministers held in Yugoslavia. **Increasing economic relations and trade with East European nations and China.** Although no substantial progress has been made in the political relations between Albania and the East European nations, their economic and trade relations

have markedly improved and developed. Albania and Poland signed a trade accord in 1986. In September 1987, Albania participated for the first time in the 29th Czechoslovakia Exposition, and the Albanian foreign trade minister visited Czechoslovakia, with the 1988 goods exchange agreement between the two nations being signed. Albania's 1986 trade volume with the East European nations was more than 10 percent higher than that in 1985. In the same year, China and Albania renewed their agreement on economic cooperation. In October 1987, the Albanian Government sent a delegation to China to sign a Sino-Albanian goods exchange and payments agreement.

While improving and developing relations with some nations, Albania continues to adhere to a policy of noncontact and noncooperation with the Soviet Union and the United States, although in recent years both the Soviet Union and the United States have expressed their willingness to improve their relations with Albania. Most active is the Soviet Union, which has repeatedly admitted that it committed mistakes in worsening Soviet-Albanian relations in the past, and expressed the hope of improving its relations with Albania. However, Albania has turned down all these mild gestures.

Observers believe that those changes which have taken place in Albania are actually the result of the pressure of circumstances. Albania's economic policies in the past had severely impeded the development of the productive forces, while severing intercourse with foreign countries also led to ever more acute problems, such as backwardness in science and technology, outmoded equipment, and lack of foreign exchange. Therefore, improving economic management and stressing the development of bilateral economic and trade relations are inevitable. It seems the new attempts and limited reforms over the past 2 and 1/2 years will continue to develop.

List of Pre-1978 Laws Declared Invalid
40050060a Beijing ZHONGGUO FAZHI BAO in
Chinese 27 Nov 87 p 2

[Report by the Legislative Work Commission of the NPC Standing Committee: "Report by the Legislative Work Commission of the NPC Standing Committee on Facts and Suggestions in Connection with the Elimination of Obsolete Laws Promulgated Up to the End of 1978"]

[Text] To the Standing Committee of the NPC:

We herewith report on facts and submit suggestions by this Legislative Work Commission in the matter of clearing the books of obsolete laws (including decisions of legal purport) promulgated up to the end of 1978, in compliance with the demand set forth in the work report of the NPC Standing Committee at the Third Session of the Fifth NPC:

According to statistics, 134 laws were enacted or approved during the period from September 1949 to the end of 1978 by the First Plenary Session of the Chinese People's Political Consultative Conference, the Central People's Government Council, the NPC, and the NPC Standing Committee. Jointly with relevant ministries, we have one by one studied these laws and also solicited opinions of legal experts. Among the 134 laws that have had our attention, 111 laws have become invalid (see Appendix 1), and 23 are still valid or valid while under study for needed amendments. As to the invalid 111 laws, they are of one of the following four categories:

1. Eleven have been invalidated by later legal provisions;
2. Forty-one have been replaced by new laws;
3. Twenty-nine are no longer applied or ceased to be enforced because of readjustments in the targets which have undergone changes, or because of changed circumstances;
4. Thirty are outdated decisions and regulations of legal force which had been provided for specific questions of the past.

Apart from the 11 laws that have been invalidated by later legal provisions, we suggest that the NPC Standing Committee explicitly state that the other 100 invalid laws are no longer applicable, though dispositions made in the past on the basis of these laws remain valid.

Furthermore, 48 regulations on the organization of local people's congresses and people's councils in autonomous regions of national minorities, approved by the NPC Standing Committee up to the end of 1978 (see Appendix 2), are no more applicable because of changed conditions, for the reason that the new constitution, the law governing the organization of local people's congresses and local people's governments at all levels, and

the law on autonomous governments in regions of national minorities have by now been enacted, that people's congresses in the various autonomous regions of national minorities have by now set up standing committees, and that the various autonomous regions have by now formulated, or are in the process of formulating, their own regulations on autonomous governments.

The above report, with Appendices 1 and 2, is being submitted for your examination and deliberation,

Legislative Work Commission of the NPC Standing Committee

11 November 1987

Appendix 1: List of 111 Invalid Laws Promulgated up to the End of 1978:

I. List of 11 Laws Invalidated by Later Legal Provisions:

1. Provisional Regulations on Agricultural Tax in the New Liberated Areas (adopted September 1950 by the Central People's Government Council)
2. Marriage Law of the PRC (adopted April 1950 by the Central People's Government Council)
3. PRC Regulations Governing Arrests and Detentions (adopted December 1954 by the NPC Standing Committee)
4. PRC Regulations Governing Public Security and Imposition of Penalties (adopted October 1957 by the NPC Standing Committee)
5. Regulations on the Supervision of Fire Prevention and Fire-Fighting (approved in principle November 1957 by the NPC Standing Committee)
6. Provisional Regulations of the State Council on Granting Leave and Pay to Workers and Staff Returning Home to Visit Their Families (approved November 1957 by the NPC Standing Committee)
7. Regulations Governing Frontier Public Health and Quarantine of the PRC (adopted December 1957 by the NPC Standing Committee)
8. Regulations of the State Council on Proportionate Agricultural Surtax as Adjustment in Cases of High-Profit Cash Crops (approved in principle December 1957 by the NPC Standing Committee)
9. Procedure Governing the Requisitioning of Land for National Construction (approved in principle January 1958 by the NPC Standing Committee)
10. Trademark Regulations (approved August 1963 by the NPC Standing Committee)

11. Decision on the PRC National Anthem Adopted (March 1978) at the First Session of the Fifth NPC.

II. Forty-One Laws Replaced by New Laws:

1. PRC Regulations on the Suppression of Counterrevolutionaries (approved February 1951 by the Central People's Government Council)

2. Provisional Regulations of the PRC on the Organization of People's Courts (adopted September 1951 by the Central People's Government Administration Council)

3. Provisional Regulations Governing the Organization of the Supreme People's Procuratorate of the Central People's Government (adopted September 1951 by the Central People's Government Administration Council)

4. General Rules Governing the Organization of Local People's Procuratorates at All Levels (adopted September 1951 by the Central People's Government Administration Council)

5. PRC Regulation on the Suppression of Corruption (approved April 1952 by the Central People's Government Administration Council)

6. Decision by the PRC State Council on Unified Procedures for the Conclusion of Treaties, Agreements, Protocols, and Contracts With Foreign Countries (approved August 1952 by the Central People's Government Administration Council)

7. PRC Outline for Implementation of Autonomy in National Minorities Regions (approved August 1952 by the Central People's Government Administration Council)

8. PRC Provisional Regulations for the Organization of the People's Militia (approved November 1952 by the Central People's Government Administration Council)

9. PRC Law Governing Elections to the NPC and to Local People's Congresses at All Levels (adopted February 1953 by the Central People's Government Administration Council)

10. PRC Law Governing the Organization of the NPC (adopted September 1954 by the NPC)

11. PRC Law on the Organization of the State Council (adopted September 1954 by the NPC)

12. PRC Law on the Organization of Local People's Congresses and Local People's Councils at All Levels (adopted September 1954 by the NPC)

13. PRC Law on the Organization of People's Courts (adopted September 1954 by the NPC)

14. PRC Law on the Organization of People's Procuratorates (adopted September 1954 by the NPC)

15. Resolution Passed at the First Session of the First NPC on the Continued Validity of the PRC's Current Laws and Decrees (adopted September 1954)

16. Decision Adopted by the NPC Standing Committee on Procedure for Approval of Treaties Concluded With Foreign Countries (passed October 1954)

17. Service Regulations for Officers of the PLA (adopted February 1955 by the NPC Standing Committee)

18. NPC Standing Committee Resolution on the Interpretation of Legal Questions (adopted June 1955)

19. Resolution Passed at the Second Session of the First NPC Granting the Standing Committee Authority for Special Enactments (adopted July 1955)

20. Resolution Passed at the Second Session of the First NPC on the Abolition of Rehe Province and Xikang Province and on Amendment of Article 25, Paragraph 2, Section 1, of the Law on the Organization of Local People's Congresses and People's Councils at All Levels (passed July 1955)

21. Resolution Passed at the Second Session of the First NPC Abolishing the Ministry of Fuel Industry and Establishing the Ministry of Coal Industry, Ministry of Electric Power, Ministry of Petroleum Industry, Ministry of Procurement of Agricultural Products, and Amending Article 2, Paragraph 1, of the PRC Law Governing the Organization of the State Council (passed July 1955)

22. PRC Law Governing Military Service (passed July 1955 by the NPC)

23. Decision Adopted by the NPC Standing Committee on Filling Vacancies in the Positions of Provincial Governors, Chairpersons of Autonomous Regions, Mayors, Heads of Autonomous Prefectures, Counties, Prefectures, Townships, Towns, as well as Presidents of Local People's Courts at All Levels During Periods Local People's Congresses are not in Session (passed November 1955)

24. Decision by the NPC Standing Committee on the Term of Each Session of People's Congresses and People's Councils of Autonomous Prefectures (passed May 1956)

25. Decision of the NPC Standing Committee on the Number of Delegates in People's Congresses of Counties, Municipalities, Districts Administered by Municipalities, Towns, National Minority Townships and Towns (passed May 1956)

26. Decision of the NPC Standing Committee Regarding Cases That Should not be Conducted in Public (passed May 1956)

27. Resolution Passed at the Third Session of the First NPC on the Amendment of Article 25, Paragraph 2, Sections 4 and 5, of the Law Governing the Organization of Local People's Congresses and People's Councils at All Levels (passed June 1956)

28. Decision of the NPC Standing Committee to the Effect that Control and Restraint of Counterrevolutionaries Shall Uniformly be Exercised through Sentences of People's Courts (passed November 1956)

29. Resolution Passed at the Fourth Session of the First NPC to the Effect that Death Sentences Must be Pronounced or Approved by the Supreme People's Court (passed July 1957)

30. Official Directive of the NPC Standing Committee in Response to an Enquiry by the Supreme People's Court as to How to Implement the Resolution of the NPC Standing Committee That Death Sentences Must be Pronounced or Approved by the Supreme People's Court (Official Reply dated September 1957)

31. Decision of the NPC Standing Committee to the Effect That Sessions of the People's Congresses of Provinces and Centrally Administered Municipalities May Be Called Once Every Year (passed November 1957)

32. Provisional Regulations of the State Council on Retirement of Workers and Employees (approved in principle November 1957 by the NPC Standing Committee)

33. Provisional Regulations of the State Council on Resignation of Workers and Employees (approved in principle March 1958 by the NPC Standing Committee)

34. Decision of the NPC Standing Committee on the Number of Delegates to Local People's Congresses at All Levels (passed August 1958)

35. Decision of the NPC Standing Committee on the Possibility of Centrally Administered Municipalities and Larger Cities Administering Counties and Autonomous Counties (passed September 1959)

36. Decision of the NPC Standing Committee on the Question of Employment and Dismissal of Assistant Judges at the Supreme People's Court and the Local People's Courts at All Levels (passed January 1960)

37. Service Regulations for Officers of the PLA (revision passed September 1963 by the NPC Standing Committee)

38. Regulations Governing the Entry into, Exit from, Transit Through, and Residence and Travelling in China of Foreigners (approved March 1964 by the NPC Standing Committee)

39. Decision of the NPC Standing Committee on the Length of Active Service of Noncommissioned Officers and Soldiers (passed January 1965)

40. Decision Concerning the System of Military Service (approved March 1978 by the NPC Standing Committee)

41. Decision of the NPC Standing Committee on Procedure for Filling the Positions of Chief Procurators at Provincial People's Procuratorates During Periods the Provincial People's Congress Is Not in Session (passed May 1978)

III. Twenty-Nine Laws Which are no Longer Applied or Ceased To Be Enforced Because of Adjustments in the Targets Which Have Undergone Changes or Because of Changed Circumstances:

1. Law Governing the Organization of the Central People's Government of the PRC (passed September 1949 at the First Plenary Session of the Chinese People's Consultative Congress)

2. Law Governing the Organization of the Chinese People's Consultative Congress (passed September 1949 at the First Plenary Session of the Chinese People's Consultative Congress)

3. General Rules for the Organization of Provincial People's Congresses from Among All Sections of the Population (passed December 1949 by the Central People's Government Administration Council)

4. General Rules for the Organization of Municipal People's Congresses from Among All Sections of the Population (passed December 1949 by the Central People's Government Administration Council)

5. General Rules for the Organization of County People's Congresses from Among All Sections of the Population (passed December 1949 by the Central People's Government Administration Council)

6. General Rules for the Organization of the State Council of the Central People's Government and of All its Subordinate Organs (passed December 1949 by the Central People's Government Administration Council)

7. Land Reform Law of the PRC (passed June 1950 by the Central People's Government Administration Council)

8. General Rules for the Organization of People's Courts (approved July 1950 by the Chairman of the Central People's Government)

9. Provisional Regulations of the Central People's Government Governing Employment and Dismissal of Personnel in State Organs (approved November 1951 by the Central People's Government Administration Council)
10. General Rules for the Tentative Organization of Committees for National Minority Affairs at People's Governments at All Levels (approved August 1952 by the Chairman of the Central People's Government)
11. Decision of the NPC Standing Committee on Whether Members of Local People's Councils at All Levels are Limited to Members of the People's Congresses at Their Respective Levels (passed November 1955)
12. Decision of the NPC Standing Committee on Whether Presidents of People's Courts or Chief Procurators at All Levels May Concurrently Serve as Members of People's Councils at Their Respective Levels (passed November 1955)
13. Model Bylaws for Agricultural Production Collectives (passed March 1956 by the NPC Standing Committee)
14. Regulations Governing the Cultural and Recreational Tax (passed May 1956 by the NPC)
15. Model Bylaws for Advanced Production Collectives (passed June 1956 by the NPC)
16. Decision by the NPC Standing Committee on Enlarging Private Plots of Members of Agricultural Production Collectives (passed June 1957)
17. Regulations on Special Benefits for Overseas Chinese Investments in the State-Operated Investment Company for Overseas Chinese (approved August 1957 by the NPC Standing Committee)
18. Regulations Governing the Employment and Dismissal of Personnel in State Organs by People's Committee of County and Higher Ranks (passed November 1957 by the NPC Standing Committee)
19. Provisions of the State Council for the Improvement of the Industrial Control System (approved in principle November 1957 by the NPC Standing Committee)
20. Provisions of the State Council for the Improvement of the Commercial Control System (approved in principle November 1957 by the NPC Standing Committee)
21. Provisions of the State Council for the Improvement of the Finance Control System (approved in principle November 1957 by the NPC Standing Committee)
22. Provisional Regulations by the State Council Governing the Length of Apprenticeships and Subsistence Allowances of Apprentices in State Operated, Public-Private, Cooperative, or Individually Operated Enterprises and Industrial Units (approved in principle November 1957 by the NPC Standing Committee)
23. Provisional State Council Regulations Governing Wages and Benefits to Unskilled as well as Service and Miscellaneous Workers in Enterprises, Industrial Units, and State Organs (approved in principle November 1957 by the NPC Standing Committee)
24. Decision of the NPC Standing Committee on Adequate Increases in Collective Reserve Fund Ratios of Advanced Agricultural Collectives (passed January 1958)
25. State Council Supplementary Regulations on the Share Fund Source of Agricultural Production Collectives (approved in principle January 1958 by the NPC Standing Committee)
26. State Council Regulations on Improving the Tax Revenue Control System (approved in principle June 1956 by the NPC Standing Committee)
27. Resolution of the NPC Standing Committee Approving the Establishment of Xizang Branches of the Supreme People's Court and the Supreme People's Procuratorate (passed June 1958)
28. National Program for the Development of Agriculture (passed April 1960 by the NPC)
29. Provisional Regulations Governing Financial Control in the Autonomous Regions of National Minorities (approved in principle June 1958 by the NPC Standing Committee)
- IV. Thirty Outdated Decisions and Regulations of Legal Force, Originally Provided for Specific Issues of the Past:
 - A. Nine decisions on the terms of office, time of convening, number of deputies, and time of elections for particular sessions of the people's congresses:
 1. Resolution of the Central People's Government Administration Council on Convening the NPC and Local People's Congresses at All Levels (passed January 1953)
 2. NPC Standing Committee Decision on the Number of Deputies to the Current Session of People's Congresses Subsequent to the Change in the Organizational System of Provinces, Counties, and Townships (passed August 1955)

3. NPC Standing Committee Decision Regarding Terms of Local People's Congresses at All Levels (passed August 1955)

4. NPC Standing Committee Decision on the Election Time for People's Congresses of Centrally Administered Municipalities and at Other Administrative Units of County and Lower Levels in 1956 (passed May 1956)

5. Resolution of the Fourth Session of the First NPC Regarding the Election of Delegates to the Second NPC (passed July 1957)

6. NPC Standing Committee Decision on the Election Time for Delegates to the People's Congresses at All Levels at Centrally Administered Municipalities and Other Administrative Units of County and Lower Levels in 1958 (passed November 1957)

7. NPC Standing Committee Decision on the Election Time for Delegates to the Second NPC and on the Time of Convening the First Session of the Second NPC (passed June 1958)

8. Resolution of the Fourth Session of the Second NPC Regarding Number of Delegates to the Third NPC and Their Election (passed December 1963)

9. Planned Number of Seats to be Allocated to Delegates from Minority Nationalities and Their Distribution (approved July 1964 by the NPC Standing Committee)

B. Seven Regulations on Government Bonds:

1. Decision on Issuing People's Victory Bonds At Parity With Commodities (passed December 1949 by the Central People's Government Administration Council)

2. Regulations Governing 1954 Government Economic Development Bonds (passed December 1953 by the Central People's Government Administration Council)

3. Regulations Governing 1955 Government Economic Development Bonds (passed December 1954 by the NPC Standing Committee)

4. Regulations Governing 1956 Government Economic Development Bonds (passed December 1955 by the NPC Standing Committee)

5. Regulations Governing 1957 Government Economic Development Bonds (passed December 1956 by the NPC Standing Committee)

6. Regulations Governing 1958 Government Economic Development Bonds (passed November 1957 by the NPC Standing Committee)

7. Regulations of the PRC Governing Local Economic Development Bonds (passed June 1958 by the NPC Standing Committee)

C. Nine Decisions on Lenient Treatment to be Accorded to War Criminals and Remnants of Counterrevolutionary Elements and on the Special Amnesty for War Criminals:

1. NPC Standing Committee Decision on the Disposition of Imprisoned War Criminals From Japan's War of Aggression Against China (passed April 1956)

2. NPC Standing Committee Decision on Exercising Leniency in the Disposition and Resettling of Urban Remnants of Counterrevolutionary Elements (passed November 1956)

3. NPC Standing Committee Decision on Special Amnesty for Criminals Who Truly Have Been Reformed (passed September 1959)

4. NPC Standing Committee Decision on Special Amnesty for War Criminals of the Chiang Kaishek Clique and of the Puppet Manchukuo Regime Who Truly Have Been Reformed (passed November 1960)

5. NPC Standing Committee Decision on Special Amnesty for War Criminals of the Chiang Kaishek clique and of the Puppet Manchukuo Regime Who Truly Have Been Reformed (passed December 1961)

6. NPC Standing Committee Decision on Special Amnesty for War Criminals of the Chiang Kaishek Clique, of the Puppet Manchukuo Regime, and of the Puppet Autonomous Government of Mongolia Who Truly Have Been Reformed (passed August 1963)

7. NPC Standing Committee Decision on Special Amnesty for War Criminals of the Chiang Kaishek Clique, of the Puppet Manchukuo Regime, and of the Puppet Autonomous Government of Mongolia Who Truly Have Been Reformed (passed December 1964)

8. NPC Standing Committee Decision on Special Amnesty for War Criminals of the Chiang Kaishek Clique, of the Puppet Manchukuo Regime, and of the Puppet Autonomous Government of Mongolia Who Truly Have been Reformed (passed August 1966)

9. NPC Standing Committee Decision on a Special Amnesty to Release All War Criminals Still in Prison (passed March 1975)

D. Five Decisions and Regulations on the Awarding of Decorations and Medals, and on Conferring Military Ranks:

1. Regulations of the PRC Governing Decorations and Medals Awarded Personnel of the PLA for Meritorious Service During the Chinese People's Revolutionary War (passed February 1955 by the NPC Standing Committee)

2. NPC Standing Committee Resolution Determining Decorations and Medals to be Awarded Personnel of the PLA for Meritorious Service During the Chinese People's Revolutionary War (passed February 1955)

3. NPC Standing Committee Resolution Determining Decorations and Medals to be Awarded Personnel of the PLA for Meritorious Service in the Defense of the Motherland and in the Modernization of National Defense (passed February 1955)

4. NPC Standing Committee Resolution on Awarding Decorations and Medals to Chinese People's Volunteers for Meritorious Service in the War to Resist U.S. Aggression and Aid Korea and to Defend Home and Country. (passed February 1955)

5. NPC Standing Committee Decision to Abolish the System of Military Ranks in the PLA (passed May 1965)

Appendix 2: Forty-Eight Obsolete Regulations on the Organization of Autonomous Territories for National Minorities Approved by the NPC Standing Committee Up to the End of 1978

A. Six Regulations on the Organization of Autonomous Regions:

1. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Nei Monggol Autonomous Region (approved November 1955 by the NPC Standing Committee)

2. Regulations Governing the Organization of People's Congresses and People's Councils in the Xinjiang Uygur Autonomous Region (approved July 1956 by the NPC Standing Committee)

3. Brief Rules for the Organization of a Xizang Autonomous Region Preparatory Commission (approved September 1956 by the NPC Standing Committee)

4. Regulations Governing Elections for People's Congresses at All Levels in the Xizang Autonomous Region (approved August 1963 by the NPC Standing Committee)

5. Regulations Governing the Organization of People's Congresses and People's Councils in the Guangxi Zhuang Autonomous Region (approved July 1958 by the NPC Standing Committee)

6. Regulations Governing the Organization of People's Congresses and People's Councils in the Ningxia Hui Autonomous Region (approved November 1959 by the NPC Standing Committee)

B. Twenty-Two Regulations on the Organization of Autonomous Prefectures:

1. Regulations Governing the Organization of People's Congresses in the West Hunan Miao Autonomous Prefecture (approved May 1956 by the NPC Standing Committee)

2. Regulations Governing the Organization of People's Councils in the West Hunan Miao Autonomous Prefecture (approved May 1956 by the NPC Standing Committee)

3. Regulations Governing the Organization of People's Congresses and People's Councils in the West Hunan Tujia-Miao Autonomous Prefecture (passed November 1959 by the NPC Standing Committee)

4. Regulations Governing the Organization of People's Congresses in the Southeast Guizhou Miao-Dong Autonomous Prefecture (approved June 1957 by the NPC Standing Committee)

5. Regulations Governing the Organization of People's Councils in the Southeast Guizhou Miao-Dong Autonomous Prefecture (approved June 1957 by the NPC Standing Committee)

6. Regulations Governing the Organization of People's Congresses in the South Guizhou Buyi-Miao Autonomous Prefecture (approved June 1957 by the NPC Standing Committee)

7. Regulations Governing the Organization of People's Councils in the South Guizhou Buyi-Miao Autonomous Prefecture (approved June 1957 by the NPC Standing Committee)

8. Regulations Governing the Organization of People's Congresses and People's Councils in the Dali Bai Autonomous Prefecture of Yunnan Province (approved June 1957 by the NPC Standing Committee)

9. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Wenshan Zhuang-Miao Autonomous Prefecture of Yunnan Province (approved November 1959 by the NPC Standing Committee)

10. Regulations Governing the Organization of People's Congresses and People's Councils in the Honghe Hani-Yi Autonomous Prefecture of Yunnan Province (approved November 1959 by the NPC Standing Committee)

11. Regulations Governing the Organization of People's Congresses and People's Councils in the Chuxiong Yi Autonomous Prefecture of Yunnan Province (approved November 1959 by the NPC Standing Committee)

12. Regulations Governing the Organization of People's Congresses and People's Councils in the Nujiang Lisu Autonomous Prefecture of Yunnan Province (approved November 1959 by the NPC Standing Committee)

13. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Yanbian Chaoxian Autonomous Prefecture of Jilin Province (approved August 1957 by the NPC Standing Committee)

14. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Linxia Hui Autonomous Prefecture of Gansu Province (approved September 1958 by the NPC Standing Committee)

15. Regulations Governing the Organization of People's Congresses and People's Councils in the Gannan Xizang Autonomous Prefecture of Gansu Province (approved September 1958 by the NPC Standing Committee)

16. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Ili Kazak Autonomous Prefecture of the Xinjiang Uygur Autonomous Region (approved June 1958 by the NPC Standing Committee)

17. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Kizilsu Kirgiz Autonomous Prefecture of the Xinjiang Uygur Autonomous Region (approved March 1966 by the NPC Standing Committee)

18. Regulations Governing the Organization of People's Congresses and People's Councils in the Bayingolin Mongol Autonomous Prefecture of the Xinjiang Uygur Autonomous Region (approved March 1966 by the NPC Standing Committee)

19. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Golog Zang Autonomous Prefecture of Qinghai Province (approved December 1964 by the NPC Standing Committee)

20. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Hainan Zang Autonomous Prefecture of Qinghai Province (approved March 1966 by the NPC Standing Committee)

21. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Liangshan Yi Autonomous Prefecture of Sichuan Province (approved August 1965 by the NPC Standing Committee)

22. Regulations Governing the Organization of People's Congresses and People's Councils at All Levels in the Garze Zang Autonomous Prefecture of Sichuan Province (approved August 1965 by the NPC Standing Committee)

C. Twenty Regulations on the Organization of Autonomous Counties:

1. Regulations Governing the Organization of People's Congresses and People's Councils in the Mengcun Hui Autonomous County of Hebei Province (approved July 1956 by the NPC Standing Committee)

2. Regulations Governing the Organization of People's Congresses and People's Councils in the Dachang Hui Autonomous County of Hebei Province (approved July 1956 by the NPC Standing Committee)

3. Regulations Governing the Organization of People's Congresses and People's Councils in the Jianghua Yao Autonomous County of Hunan Province (approved July 1956 by the NPC Standing Committee)

4. Regulations Governing the Organization of People's Congresses and People's Councils in the Tongdao Dong Autonomous County of Hunan Province (approved April 1959 by the NPC Standing Committee)

5. Regulations Governing the Organization of People's Congresses and People's Councils in the Xinhuang Dong Autonomous County of Hunan Province (approved April 1959 by the NPC Standing Committee)

6. Regulations Governing the Organization of People's Congresses and People's Councils in the Chengbu Miao Autonomous County of Hunan Province (approved April 1959 by the NPC Standing Committee)

7. Regulations Governing the Organization of People's Congresses and People's Councils in the Dorbod Mongol Autonomous County of Heilongjiang Province (approved June 1957 by the NPC Standing Committee)

8. Regulations Governing the Organization of People's Congresses and People's Councils in the Qian Gorlos Mongol Autonomous County of Jilin Province (approved November 1957 by the NPC Standing Committee)

9. Regulations Governing the Organization of People's Congresses and People's Councils in the Sandu Shui Autonomous County of Guizhou Province (approved March 1958 by the NPC Standing Committee)

10. Regulations Governing the Organization of People's Congresses in the Songtao Miao Autonomous County of Guizhou Province (approved March 1958 by the NPC Standing Committee)

11. Regulations Governing the Organization of People's Councils in the Songtao Miao Autonomous County of Guizhou Province (approved March 1958 by the NPC Standing Committee)

12. Regulations Governing the Organization of People's Congresses and People's Councils in the Zhenning Buyi-Miao Autonomous County of Guizhou Province (approved December 1964 by the NPC Standing Committee)

13. Regulations Governing the Organization of People's Congresses and People's Councils in the Harqin Zuoyi Mongol Autonomous County of Liaoning Province (approved November 1959 by the NPC Standing Committee)

14. Regulations Governing the Organization of People's Congresses and People's Councils in the Fuxin Mongol Autonomous County of Liaoning Province (approved November 1959 by the NPC Standing Committee)

15. Regulations Governing the Organization of People's Congresses and People's Councils in the Lijiang Naxi Autonomous County of Yunnan Province (approved November 1962 by the NPC Standing Committee)

16. Regulations Governing the Organization of People's Congresses and People's Councils in the Pingbian Miao Autonomous County of Yunnan Province (approved December 1964 by the NPC Standing Committee)

17. Regulations Governing the Organization of People's Congresses and People's Councils in the Hekou Yao Autonomous County of Yunnan Province (approved December 1964 by the NPC Standing Committee)

18. Regulations Governing the Organization of People's Congresses and People's Councils in the Lianshan Zhuang-Yao Autonomous County of Guangdong Province (approved December 1964 by the NPC Standing Committee)

19. Regulations Governing the Organization of People's Congresses and People's Councils in the Evenki Autonomous Banner of the Nei Monggol Autonomous Region (approved December 1964 by the NPC Standing Committee)

20. Regulations Governing the Organization of People's Congresses and People's Councils in the Morin Dagher Autonomous Banner of the Nei Monggol Autonomous Region (approved December 1964 by the NPC Standing Committee) 9808

NATIONAL AFFAIRS, POLICY

Gao Di Discusses Enterprise Contracts, Reform
HK010842 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 12, 1987 pp 14-16

[Article by Gao Di [7559 3695]: "Carrying Out Comprehensive Reform on All Fronts Centered on Enlivening Enterprises"—edited by Pan Shucheng [3382 6615 3397]]

[Text] At present, various types of contract operation responsibility system, as strategic choices in enlivening enterprises during the period of transition from the old to the new system, are being implemented in various places throughout the country. Looking back at the 5-year history of contracted operations in Jilin Province we can see that contracting, as a way to reform enterprises operational systems, is fully able to combine the reform of the macroeconomic movement mechanism with the reform of the microeconomic enterprise operational mechanism. Thus, the further improvement and deepening of the contract responsibility system must proceed from the overall goals of reform and development and be considered from all sides.

1. Deepening Vertically—Improving Enterprises' Operational Mechanisms

Enterprise contracted operation is in fact an operational form which combines the macroeconomic management requirements of the state in respect of enterprise operations and enterprises microeconomic self-development, through a contract form. Thus, if we are to do well in contracted operation responsibility systems, it is necessary, after the contracts have been put in order, to give attention to the various types of economic relationships. The focus of this should be the responsibility, rights, and interest relationships between the state, the enterprises, and the staff and workers and ensuring that the contracts become more scientific and systematic. In this way, we will be able to gradually establish an enterprise operational mechanism under which enterprises can take decisions on their own operations, are responsible for their own profits and losses, can develop themselves and can restrict themselves. At present, in the relationship between the state and enterprises, there are some questions which require further resolution. The first is the question of the contract period. In the previous period, half of the enterprises in our province had 1-year contracts. Facts have proven that this contract period is too short and is not beneficial in terms of enterprises' long-term development. We could consider linking up with the Seventh 5-Year Plan, in which case most enterprises should have 3-year contracts, while those enterprises with the conditions could have slightly longer contracts. The second question is that of the diversity of contract forms. We cannot have a unitary model, and we should select the optimum forms from the contracts being implemented at present. The basic forms should be the progressive increase (or in the case of loss-making

enterprises, progressive decrease) contract and the quota contract (that is, the overall contract). This will provide the state with a firm contracted amount and will give vigor to the enterprises and staff and workers. We cannot again go in for "graded retained proportions." The third point is the need to make the contract targets more simple. It is important that the contract stipulate the amount of profit and taxes to be handed up as well as the technical transformation tasks. Quality, safety and equipment should only serve as rejection standards when assessing the results of the contract. If the contract targets are too complex, apart from being unnecessary, it will be too difficult to implement. The fourth point is that in the contracts, the form whereby the financial administration contracts with the responsible departments and then the responsible departments contract with the enterprises, should not be employed. Otherwise, it will strengthen the economic interests relationship between responsible departments and enterprises, exacerbate administrative intervention in enterprises and will not help in the separation of government and enterprise functions. Responsible departments are not economic legal persons and making responsible departments a level in the contracts is neither theoretically justifiable nor beneficial to actual results.

In improving the contracted operation responsibility system, the focus lies in improving the operational mechanism within enterprises. It is necessary to combine the contracted operation responsibility system with the factory director responsibility system so that the contract operators, in the building of both material civilization and spiritual civilization, have overall responsibility, are in the central position and play the central role. This will form an effective operational decisionmaking system and give the enterprise to the entrepreneurs to operate. It is necessary to make the accounting units smaller, and implement contracts at various levels to form operation management levels and operators within the enterprises so that contracted economic responsibility gains the guarantees of internal mechanisms. Accounting units can be extended down to work post and individuals, and then that work post or individual will be accounted. Now, our enterprises are still basically "large and complete" or "small but complete." In some auxiliary production departments, the production tasks are not sufficient. This indicates that the production by production departments is not balanced, and the unused equipment and labor and the waste within enterprises is serious. If we are to tap the latent potential of enterprises, it is necessary, under the precondition of enterprises completing their production tasks, to allow auxiliary departments and production workshops to contract outside for processing work and the income can then be divided between the enterprise, the workshop, and the work group. In this way, all the cells of an enterprise will be brimming with vigor. In the reform of the distribution system within the enterprise, wage and bonus systems can be diversified, but the most direct and effective forms are quota wages and piece-work wages. Under the precondition of setting advanced, rational quotas and

guaranteeing product quality, that work which can be paid at piece-work rates should be, while that which cannot be paid at piece-work rates should be paid with floating wages. As long as the wage component in unit product price falls, and rates of wage increase are lower than the rate of growth in results, the total amount of wages based on results should be allowed to grow. In the 5 years in which our province has had contracted operations, per-capita bonuses were only equivalent to 2.5 months' standard wages. This was in 19th position throughout the country. It can be seen that after contracts are implemented, the restrictions of responsibility in enterprise operations are strengthened. There is no inevitable relationship between contracts and consumption fund inflation, and concerns that contracting will lead to consumption fund inflation are without basis.

2. Developing Laterally—Using Enterprises To Enliven Enterprises

In promoting the contracted operations responsibility system, it is not necessary for all enterprises to undertake contracts by "themselves." Those enterprises which are congenitally unable to achieve the standard results, or have low technological or management levels, or those whose products have no ready market or are even stockpiled and which are unable to "renew" themselves, should not be forced to undertake contracts. However, if they continue "operating at a low level" they will be wasting social resources. The basic avenue for resolving this problem is the adoption of diverse forms of "alliance, contracting, leasing or purchase," and using enterprises to enliven enterprises. This is the major lateral development at present of the various operational forms which have contracted operations as the main form. It is also a tendency whereby the reform of enterprises' operational forms is merged with economic structural readjustment. What is referred to as "alliance" means production alliances or operational alliances in terms of technology, materials, or funds. It is particularly seen in enterprise groups whereby allied shareholding operations develop through enterprises buying shares in each other's assets. This is the direction of future developments. The "No 1 Vehicle" factory joined with three enterprises in Changchun City and the small-scale vehicle company of Jilin City and formed the "No 1 Vehicle" Group. That is, these local enterprises were given to the "No 1 Vehicle" Factory, and they were given shares and received dividends. The "No 1 Vehicle" Factory then took overall management of production, supply, and sales as well as personnel, funds, and materials and implemented specialized production. Such alliances bring benefit to the state, the localities, and to enterprises. "Contracting" involves large factories contracting for small factories, superior enterprises contracting for inferior enterprises, whole-people enterprises contracting for collective enterprises, urban enterprises contracting for rural and township enterprises and scientific research units contracting for enterprises. This will break through the departmental and regional divisions and the local blockades and is an avenue for realizing the reorganizing

of enterprises, the readjustment of the product mix, and optimum arrangement of production factors. This sort of readjustment will be carried out in accordance with market demands and with enterprises taking the decisions, and thus it is more direct and effective. The Jilin Chemical Industry Company took on, through contract, 13 chemical industry enterprises and a chemistry school under the Jilin City Chemical Industry Bureau. Then the Jilin Chemical Industry Company's management, technology, funds and materials advantages were used to equip these medium-size and small enterprises. The profits thus obtained and handed over to Jilin City totaled 9 million yuan, and the surplus amount was divided between Jilin City, the Jilin Chemical Industry Company and the enterprises in the ratio 3:3:4. This form whereby a contract was used to form an "enterprise community" was both beneficial to the Jilin Chemical Industry Company and also gave the medium-size and small local enterprises wings to fly. This achieved the intensification of production and raised enterprise and social benefits. What is referred to as "leasing" means using a leasing form by which enterprises lease other enterprises. Large enterprises can lease small enterprises and small enterprises can lease large enterprises. Whole people ownership enterprises can lease collective ownership enterprises and collective enterprises can lease whole-people ownership enterprises. In brief, those enterprises with the advantages and the power can, in accordance with their own development demands, lease other enterprises. Those enterprises which are having difficulties in their operations or are on the verge of bankruptcy can, through the leasing form, borrow water to get the boat to rise, seek a way out or do both together. What is referred to as "purchase" means that small enterprises which have few fixed assets, have long operated at a loss or which, according to development plans, need to be readjusted, can be put up for sale by the financial administration and the responsible department. Generally, "alliance (the participatory shareholding form), contracting and leasing" involve the floating and transfer of the right to operate enterprises, while "purchase" involves the transfer of ownership. However, regardless of the form, they all involve the achievement of a rational flow of production factors and their new deployment through changes in operational management powers, thereby bringing about the optimum productive forces.

3. A Breakthrough in Terms of the Mechanism of Competition—Allowing Able People To Run Factories

Competition will be one the characteristics of the basic nature of enterprises under the new system. The greatest significance of contracted operations is the use of the mechanism of competition to achieve the separation of ownership and operational power on different levels and through different forms, thereby giving the enterprises to entrepreneurs to run and letting able people run enterprises. This is the basic difference between the old and the new enterprise systems. If the contracts can achieve a breakthrough just in this respect, it will be possible to

speed the necessary "rupture" between the old system and the new, and provide an avenue of enterprise management with its own characteristics. In utilizing the mechanism of competition, the focal points at present are:

1. Utilizing the tendering and appointment assessment systems. In the commodity economy, the quality of enterprise operators is a factor which has decisive significance for the success or failure of enterprise operations. In a certain sense, "It is easy to find three armies, but difficult to find one general." Thus, in using the mechanism of competition, the first point of importance is selecting an operator to compete. With respect to the contracted enterprises, the contract base figure is no longer determined by "one-to-one negotiations." Rather, the state, using the average rate of funds profits handed up by enterprises in the same industry as a yardstick, and adjusting this in accordance with variable factors such as the quality of the enterprise's equipment, recent average levels, and new product input will determine the rate of profits and taxes to be handed up by the enterprise. The financial administration and the responsible departments should take this as the "tender reserve figure" and conduct public tendering in the society, and allow those submitting tenders, who have had their qualifications investigated to determine the enterprise's contract base figure in competition. The one who wins the tender will be appointed factory director. This will not only solve the knotty problem of there being no standard for deciding interests distribution between the state and enterprises, but will also be beneficial to fostering a contingent of entrepreneurs necessary for the development of the socialist commodity economy.

2. Using the principle of risk. If we are to develop competition, we need to implement the principle of risk. In the socialist commodity economy, entrepreneurs as experts specialized in enterprise management practice, must not only be produced through competition, but should mainly be assessed by their market effectiveness, that is by the real benefits which the enterprise obtains through competition, rather than through the entrepreneurs' "achievements" and "qualifications." Thus, entrepreneurs must first shoulder operational risks in terms of reputation. If during the period of the contract, the enterprise results as specified in the contract cannot be achieved, the factory director must be removed on the spot. It is not permitted for him to this a high position in another place. At the same time, he must also undertake economic risks. All contract and leasing factory directors who are produced through competition must personally provide and have a guarantor provide a certain amount of property as security. The risks shouldered by the staff and workers lie not only in the rewards of penalties to which their income will be subject, but also in the possibility that they may be sacked if their work is not good. These risks are centrally manifested in their being solely responsible for profits and losses by the enterprises in their operations. When an enterprise's operations reach the stage where production does not cover debts, it

will be necessary to declare bankruptcy. The utilization of these principles of risk will inevitably, from the negative side, encourage enterprise operators and staff and workers to "join forces" in operations for their common interests. This will give enterprises a pressure and a motivation.

3. Utilizing legal measures. The competition mechanism in enterprise contracts must be guaranteed through legal measures. The contracts must use a contract relationship between the state and the enterprise to replace the administrative appendage relationship. This will be of great significance in having the enterprises shake off the fetters of the traditional system and become independent commodity producers and operators. The contracts should not be uni-directional contracts from the government to the enterprises, but should be binding in both directions. They must clearly set down the responsibilities, rights and interests of the two sides and be notarized in accordance with the law and be safeguarded under the law. As long as enterprises operate in accordance with the law, implement the contracts and pay tax in accordance with the regulations, no department or individual should be able to interfere with them. If either side violates the contract it should bear economic and legal responsibility.

4. Utilizing supervisory systems. During the contract, on the one hand competition will be induced and vigor will be injected, while on the other hand, controls will be necessary and there will be a need for supervision. "Vigor" and "control" have always been a unity of opposites, as only thus is it possible to form an ordered operational system. Prior to the contracts it will be necessary to carry out an audit of the enterprise's assets, so as to be able to correctly assess the results of the contracted operations. After the contract is completed, another audit of the enterprise's assets and results will be carried out. This will be to affirm the enterprise's achievements under the contract. Auditing, in accordance with the law, the way in which the contracting parties implemented the contract, will restrict the situation by which enterprises engage in short-term activities.

4. Coordinating the Various Aspects—Creating a Fine External Environment for Contracts

Contracted operations are certainly not independent operations by the enterprise. Rather, they should be a "compound form" of all sorts of specialized reform. That is to say, the efficiency of enterprise contracts can only be realized through the coordination of various specialized reforms both within and outside the enterprise. After the contract is signed, the relationship between the state and the enterprise is already fixed and when enterprises have problems they should look to the market, not to the mayor. This requires that we strengthen the building of means of production markets,

financial markets, technology markets, and labor markets. The scope of market operations needs to be developed, their functions increased, and their scope of service widened so as to meet the needs of the contracted enterprises in developing production. The enterprise contracts require that the economic management departments at all levels change their functions, and serve the enterprises, serve the masses and serve reform. Leadership organs need to get rid of the ossified and outdated economic management concepts and be brave in persisting with reform measures which are beneficial to developing the productive forces. When contradictions occur with specific stipulations, they must be brave in adapting to circumstances. Those things which are beneficial to parts but are damaging to the whole must not be undertaken, while those things which are beneficial to the whole or to parts should be. Those things which are beneficial at present and in the long term must certainly be carried out. Only in this way will government departments be able to be "backers" for enterprise reform and be able to eliminate worries and difficulties for contract operators. The functions of government organs must change, and the functions of party organs must also change. Engaging in construction means grasping reform. The party propaganda departments must publicize reform, the organizational departments must discover and employ cadres who are brave in reform, discipline inspection departments must investigate incidents where interference in reform harms the reforms, as well as protect reform and support reform and truly form a public opinion environment and psychological environment which is beneficial to reform. This will ensure that the contract operators will have a feeling of urgency for reform and also have a sense of security about reform. At present, enterprise reform and contracts are just unfolding. Only if we make the promotion of enterprise contracted operations a basic train of thought in urban reform and thereby coordinate the various aspects of reform will we be able to ensure that contracted operations are raised to a new level in comprehensive reform on all fronts.

GUANGMING RIBAO on Economic Entities
HK301441 Beijing GUANGMING RIBAO in Chinese
5 Dec 87 p 3

[Article by Li Hong [7812 1347] "Main Interest Entities in Economic Operations"]

[Text] At present, in the study of economic operations in our country, few people have mentioned the issue of main interest groups in the economy. Some comrades limit their studies to the issues concerning supply and demand, production, and realization. They seem to think that economic operations in our country are merely subject to objective factors without being affected by any human entities. In fact such theories are also built with the premise of acknowledging a sole economic entity in economic operations which is the state or the economic planner. In this fictional economic model all

targets and driving forces come from the economic planner, and the economic operation is merely a process of realizing the desire and plan of this sole economic entity.

Such a point of view is obviously divorced from the reality and actual conditions in our country. If we make an empirical study of our actual economic operations, we may clearly find that there are a variety of economic entities which are pursuing their own targets independently and play different roles, which cannot be substituted by one another in the national economy. In reality the operation of the national economy is not determined by the intentions of any single entity; instead it is the result of the joint effect of the desires of all entities.

Interest Entities in Economic Operational Mechanisms

Under the conditions of socialist public ownership, why are there still different interest entities? This is determined by our current development stage. At present, the productive forces in our country remain at a very low level, and public ownership remains a preliminary form in the initial stage of socialism. Ownership is often separated from the right to use the assets, and such separation may cause major interest differences. Various entities in the national economy hold different positions and have different characteristics in the separation of ownership from the right of use. Some entities are more closely linked with advanced production relations; some entities more obviously reflect the use and possession of the means of production; and some entities more obviously reflect ownership over the means of production. From the angle of economic operations, different entities inevitably demonstrate different economic behavior, and they perform their different functions in the course of pursuing their respective special interests and achieving their own targets. Thus they also form different interest entities in our economic operations that we will now discuss.

These interest entities are greatly different from capitalist interest entities. Under the capitalist system, different interest entities hold different positions in terms of ownership, and their interest differences mainly take the form of antagonism and incompatibility. Under socialist conditions, different interest entities jointly develop on the same foundation and share the same fundamental interests under the premise of the same ownership relations. Therefore the interests of various entities in our country are often overlapping and interrelated. When analyzing them we should properly distinguish one from another by differentiating their respective purposes in the economic activities, so that we can more clearly draw demarcation line between various interest entities.

In our country's economic operations we can identify five major interest entities, namely: The state (the central government), the households (the public), the "strips" (the central industrial departments), the "chunks" (the local governments), and the enterprises.

The five major entities pursue their special interests which cannot be substituted one with another. Their interest pursuits have a major influence on the national economy as a whole. The so-called economic operational mechanisms are precisely composed of the differences and congruence of these interest entities. The interest differences and the different pursuits of their respective interests form the basic driving force for economic operations; while the homogeneity of their fundamental interests forms a harmonious foundation for economic operations.

The Formation of Interest Entities

The formation of our country's interest entities has a special environment. Our country has to develop under the basic conditions formed after the end of World War II in the late 1940's, and has to catch up with the world's advanced level from being a large backward country. We are inevitably faced with shortage of resources like other developing countries. For example, we are short of infrastructural facilities, energy, industrial materials, high technology, funds, foreign exchange, and technical manpower. We call all this a shortage in development.

The market mechanisms may help overcome such shortages through the influence of supply and demand, and the shortage of resources may be filled by means of price changes. However, this may also affect the speed of development and social stability. Another method is to use the non-market mechanisms to cope with the shortages. That is the administrative bodies control the supply of the resources in short supply, and substitute the spontaneous balance formed by the market mechanisms with administrative power. This may ensure the use of the resources in keeping with the authorities' development strategy, and turn the shortage of resources into a characteristic of the economic system under which the phenomena of instability, stagnation, and dependence caused by the market forces in the process of balancing supply with demand will be replaced by economic contradictions and frictions caused by the system. That is the background against which various interest entities in our economic operations were formed.

According to the formation of various interest entities we can divide them into two major categories: Original or primary entities, and derivative or secondary entities.

The so-called original entities refer to the interest entities which come into being before, or alongside, the economic system and determine the formation and growth of other entities. Among the five major entities mentioned above the households, or more accurately speaking the public, form the first original entity. It came into being ahead of the socialist economic system. In the fundamental sense, it is of decisive significance.

In addition, the state is another original entity. Under the general situation in which there is a long-standing shortage of resources, the state is responsible for promoting national industrialization and operating the industrial product economy. So it came into being alongside our country's economic system.

These two original entities perform different functions in economic operations which cannot be substituted one with another. The state represents the long-term interests of the nation, and the public represents the immediate or short-term interests. The state represents material labor and the public represents the living and human labor. The state represents accumulation, and the public represents consumption. So the roles of the two sides are complementary to one another. However it is not enough if there are only these two entities in an economic structure. Their smooth performances require a series of medium entities, or derivative, secondary entities. The local governments form a major secondary entity, which must exist due to the gaps in the economic structure.

There are inevitably some gaps in the natural economic operations because the state must concentrate on development in some key fields. More specifically speaking: First, the state may not take good care of some industries which have closer relations with the public's daily consumption but not such close relations with the military and heavy industries; second, the advanced product economy in our country is not evenly distributed and mixed with the natural economy in the 9.6 million square kilometers of our country's territory, and more effective management of the connecting parts of the two economies is necessary; and third, the private enterprise mechanism has been eliminated and replaced by national enterprises run by the state, but the central government may not be able to promptly develop various new industries due to financial limitations.

Enterprises form another major secondary entity. In an economy with structural shortages governmental management of the economic life cannot solve all economic problems. The essential difference between the administrative institutions and the enterprises finds expression in the fact that the administrative system must properly handle relations between man and material, and between man and nature, when dealing with enterprises. In our country enterprises are comprehensive bodies that play administrative, social, and economic roles at the same time by combining all such roles in an organic way so as to fulfill the tasks assigned to them by governments at various levels.

One more secondary entity is composed of various central economic and industrial departments. In order to take good care of the overall situation, the central government must increasingly focus its efforts on the development of key high technologies and direct production of strategic materials. Thus it must set up central industrial departments to take charge of this work, and humanize such departments.

The formation and growth of the five major interest entities, namely, the state, the households, the local governments, the central industrial departments, and the enterprises, is an historical process. The functions of the original entities are continuously resolved into different components and performed by the secondary entities; and the secondary entities are continuously developing in the course of performing such functions. The targets they pursue gradually change from external ones (which are imposed on them by the original entities) to internal ones (which come from their inner impulse). Thus, in the national economy various interest entities appear which independently pursue different targets and perform different functions.

The Behavior and Relations in Various Interest Entities

Since various interest entities perform different functions and pursue their own targets in economic operation, they certainly have their special ways to act.

Because the "strips" perform the humanizing functions, and have the impulse to develop high technology and produce strategic materials, they are certainly keen on seeking higher investment in their respective sectors and a higher position in the national economy. Because the "chunks" perform the functions of developing local civilian industries, developing urban construction, and ensuring employment, they have more interest in setting up enterprises, producing goods in high demand, demanding more materials in short supply from the central authorities, and bargaining with the central authorities over financial matters. Because enterprises perform the function of producing material wealth under conditions without, or with incomplete, market and price mechanisms, they certainly act in many special ways, which may maximize their advantages and minimize their disadvantages and external pressure.

As the secondary entities gradually grow changes also occur in the behavior of the original entities. The consumption function of households is growing daily. Meanwhile as suppliers of labor, the households have obtained a more prominent economic feature. While the "strips" and "chunks" are growing, the function of the state has been more prominently focused on raising the nation's position in the world economy, and on maintaining the overall material and value balances through fair and efficient coordination.

The behavior of the five major entities is not isolated but interrelated. The process of their actions and reactions forms the operation of the national economy. The state is the primary driving force for socialist economic operation. The state's concentration on developing high technology and key economic sectors to the world's advanced level and its results, as well as the consequent shortages left in the national economy, become the premises for

the performances of other entities. However, the shortage must frequently and relatively be eased and mitigated if the scale of the national economy is to continuously grow. Such ease and mitigation are not realized through market-price mechanisms, but through absorption, which means that output increases are made through increasing the input of production factors without relying on market forces. Specifically speaking, shortages in our country are filled through absorption at three levels.

First, absorption at the central level. The input of financial and material resources is increased in the form of state allocations through political mobilization and structural inclination (which is formed by low prices for agricultural and elementary products and high prices for manufactured goods) and in the form of setting up more new enterprises.

Second, absorption at the local level. New enterprises are set up and the markets are stabilized through administrative orders and compulsory material transfers.

Third, absorption at the enterprise level. Output is increased through political mobilization, administrative orders, and increases in social welfare benefit for the employees.

In general, absorption mitigates the shortage and increases the supply of materials. However, absorption is subject to certain limitations. In particular, each interest entity has a definite capacity of absorption and if its absorption goes beyond its capacity, fierce frictions may be caused and the entity itself may fall into a very unfavorable situation. Thus, each entity has to pass the shortage to another after its absorption reaches a certain degree so that the consequent frictions can be smoothed.

First, the central authorities pass financial difficulties and material shortages to the localities and set in motion their absorption function to fill part of the remaining shortage. However they will compare with each other so as to reduce friction between various localities, and will further pass the shortage to lower levels, and to enterprises and households, through administrative channels. Enterprises also pass on shortages to each other and to consumer households. The Hungarian scholar Ke-er-nei [4430 1422 0355] made a brilliant analysis of this point by pointing out such forms as compulsory product substitution and lowering of product quality.

The transfer of the shortage is the foundation for the growth of such secondary entities as the "chunks" and the enterprises, and their absorption functions enable them to act as indispensable links in the operations of the national economy. In this sense, the behavior of the "strips" and "chunks" and that of the state are complementary to each other, and they jointly ease the shortage to a certain degree.

However, aside from absorbing the shortage passed to them by central authorities, the "chunks" and enterprises also have another feature in their economic functions. In their activities they contend for investment and materials in short supply with the central government. This intensifies the shortage.

The "strips" are different from the "chunks" and enterprises. As producers of the goods in short supply, their output results in mitigating the shortage. However, their input results in a kind of strong absorption of resources from other entities, and this intensifies the shortage.

Such a process of passing on and absorbing shortages forms the balancing mechanisms in the economy which even out the interest frictions between various entities. This results in something like the average profit rate under capitalist conditions, and plays a major role in distributing resources in society. The balance of frictions between various interest entities forms the deep-level structure of the material balance and value balance in our national economy.

Of course, the behavior and relations of the entities in our economic operations are not invariable. With the in-depth development of the economic structural reform and the adjustment of various economic relations in our country, the behavior and relations of the interest entities will further change, and some new contradictions will appear in economic operations. We need further study of such new behavior forms and relations.

JINGJI YANJIU Discusses Social Environment Changes

HK010721 Beijing JINGJI YANJIU in Chinese
No 12, 20 Dec 1987, pp 56-63

[Article by Bai Nanfeng [4101 0589 7689] of the Social-Research office of the Economic Reform Research Institute: "Social Environment in China's Economic Reform: Its Changes and Choices"]

[Text]

I. Changes in the Socio-Psychological Environment

The shift of the major point of reform from the rural villages to the cities and towns has added more weight to the socio-psychological problem and makes it all the more important. As the principal objects of the reform, urban residents are in essence greatly different from the peasants. Because the great majority of urban residents are not direct entrepreneurs and their individual target or objective (to raise their standard of living and its quality) does not directly coincide in its form of realization with the social target of reform, they are not like the peasants who directly demand obtaining a good operational environment (this is also an objective of the reform), but frequently hope that the government will change the distribution structure. Moreover, urban residents' hopes for their income in the initial stage of the reform are higher than those of the peasants, their capacity to bear risks is lower than that of peasants, the

benefits they have already obtained are larger than those of the peasants, and their political and economic sensitivity is higher than that of the peasants. The above-mentioned special features cause the urban residents to easily formulate demands and wishes which are disadvantageous to the reform (such as aspirations for excessively high income and the psychology of trying to do better than others) and also, when their demands are not fully met, to directly attack the government, particularly the central government, thus greatly increasing the difficulties in the reform and adding to the possibility of social instability. This makes supervision and research on the socio-psychological environment the more necessary and urgent.

As reform has continued, people's wishes for and attitude toward it have changed. According to results from 14 comparatively large-scale investigations on social psychology since the establishment of our institute, changes in the socio-psychological environment in the reform may in general be divided in general into three stages.

First Stage: 1984

This stage was the preparatory period for the all-round opening up of urban reform. The outcry for reform was the loudest in 1984. The convening in October that year of the 3d Plenary Session of the 11th CPC Central Committee marked the shifting of reform from being in part to in whole and the shifting of the major point of the reform from rural villages to cities and towns. During this year, the warm discussions on reform from the highest to the lowest level in the country, the vigorous reform propaganda done by the media, and the cumulative and long-standing desire for reform in the hearts of the people were all merged into a huge high tide of reform. Hence, during this period an important special feature of the socio-psychological condition was that the enthusiasm for reform was universally rising high on a nationwide scale, with the public intent to participate in the reform being extremely strong. On the other hand, due to successes achieved in the rural reform, the many cases of certain peasants rapidly becoming better off, the over-heated propaganda done by the media and some over-stressing and exaggeration, urban residents have harbored excessive wishes, particularly regarding income, concerning the reform. This may be said to be another special feature. Correspondingly, the failure to "put all the cards on the table" about the reform and the possible changes it may bring to socio-economic life, and insufficient ideological preparation on the part of the populace, constitute the third special feature of this stage.

Second Stage: Early 1985 to the Last Quarter

The reform in this stage was centered mainly on price reform which is closely related to the people's living standards. During this period, people experienced price reform which had liberalization of agricultural and sideline products prices as the center. Meanwhile, following implementation for a time of the double-track system in the price of industrial raw materials, an obvious trend in rising prices of industrial products began to appear, and

the dire consequences of the insufficient ideological preparation for the reform on the part of the populace also began to appear. Thus, the most outstanding special feature of the socio-psychological condition in this period was the rise in the people's dissatisfaction particularly concerning the rise in commodity prices.

Related to this, the second special feature was the continued rise in hopes for a better income and the augmentation of the psychology of striving for better pay than the others. This feature, and added to it the practical improvement of market life, formed the third special feature: Strengthening of desires to float from one occupation to another and to always seek the best occupation. The fourth feature was that following improvement in life under a commodity economy people's adaptability improved. The last special feature was that due to various factors such as the consumer's improved status brought about by the reform, support for reform from the public was in part derived from the results of the reform and not merely from the accumulated desires for reform through many years.

Third stage: After the Last Quarter of 1985.

During this period the reform entered a period of stalemate between the old and new structures. People's psychology suffered a further setback because of reform's central problem of employment (which reform of the enterprise structure had failed to touch on although it was basically connected to and coordinated with it) with reform of the labor wages system and of the social protection system being unable to catch up; because of reform of the political structure still being in a stage of ferment; because of the obvious lack of any improvement in the scarcity and shortage of opportunities; and because of the phenomenon of unequal opportunities being further aggravated. In short, compared with the two preceding stages this stage had four main new special features:

New special feature No. 1: Pluralism in discontent. A daily increasingly obvious phenomenon was seen on various sides including an increase in the public's discontent which had been concentrated on the rise in commodity prices, but now extended to abuses of power to make private gains, giving jobs only to relatives, an imperfect legislative system, the inability to freely choose employment, inequality in pay, and so forth. Table 1-1 below shows the results of a survey questionnaire on the people's complaints which we conducted in February 1986. Of the 13 phenomena listed in the table, each and every one was selected by someone. Among the phenomena complained against, the smallest and last one had at least 174 supporters, comprising 6.8 percent of the whole. In the order of the public's discontent, rise in commodity prices no longer occupied the first place:

Table 1-1 Order of Listing People's Complaints Phenomena
Phenomena of Public's Complaints Listing Order

	Comprehensive Grade	Ranking
Using power to seek private gains	3.7335	1
Increase in commodity prices	2.7389	2
Employing relatives only	1.9859	3
Imperfect legislation	1.3389	4
Frequent policy changes	1.2376	5
Poor quality of certain commodities and services	1.0540	6
Lack of freedom in selecting occupation	0.6505	7
Inequality in pay	0.6431	8
Egalitarianism	0.4838	9
Insufficient publicity on the policy and direction of reform	0.4313	10
Few opportunities to earn money	0.7074	11
High salary demands by certain people	0.1843	12
Income instability	0.1472	13

Note: Source—Our institute's survey questionnaire of 2555 people in 20 cities conducted in February 1986.

New special feature No. 2: Pluralism in desires. The hopes and wishes of people vis-a-vis the reform, that is what they hope to get from the reform, is no longer confined to the question of income. Interest in participation in officialdom (political wishes), social wishes, wishes for opportunities (such as wishes for greater freedom in occupation selection and in equal competition) and so on, have all become important contents of reform wishes.

New special No. 3: Seeking opportunities and equality in opportunities daily becoming more intensified. From Table 1-1 it can be seen that in the ranking of the public's complaints, the leading ones belong mostly to the phenomena of unequal opportunities. Of the first eight, they occupy five places (Nos. 1, 3, 4, 7 and 8). In evaluating the nine reform phases covered in the same survey the lowest estimate is given to the claim that "the reform has brought equal opportunities to each person." Its combined marks came to only 3.413, lower than the mean figure of 4 in the quantity measurement table. This implied that the majority of people refuted this claim. As for evaluating the claim that "more opportunities to earn money were offered," the total marks were only 4.601 ranking sixth. In the subsequent two surveys conducted in June and November 1986, more or less the same ranking results were found.

New special feature No. 4: Disparity in the socio-psychology of collective bodies with different interests becoming daily more obvious. Following progress in the reform and changes in the interest pattern, the disparity between collective bodies with different social interests in regard to reform wishes, capacity to bear and attitude toward the reform is daily becoming more obvious (Note: Due to problems of space this article will not discuss this point in detail. Please refer to article "Pay attention to Survey and Research on Collective Bodies with Different Social Interests" by Bai Nanfeng (4101 0589 7689), Wang Xiaojing (3769 1420 1730), and Yang Xiao (2799 2556), SHIJIE JINGJI DAO BAO, 2 March 1987).

II. Wishes, Values and Attitudes Toward Reform

The rise in the degree of discontent within the populace, and the increase in the content of their dissatisfaction, have brought new problems to the reform. In order to solve these problems it is necessary to first make clear the following two points: First, what do the people hope to obtain from the reform? Second, what is people's adaptability to the reform? In other words, there are two principal factors affecting people's attitude toward the reform, namely, wishes of the reform, and adaptability and capacity to bear reform.

To a rather large extent both of these are affected by people's value concept, and particularly the latter.

Reform Wishes and Reform Evaluation

Because their wishes have not been complied with people have frequently generated discontent toward reality. Hence, under the conditions of excessively high hopes being difficult to satisfy, the higher the people's wishes for the reform, the lower is their evaluation of the existing reform. This has been verified by our survey: According to a survey on 2451 people in 38 cities and towns conducted in November 1986, reform wishes and reform evaluation showed a negative interrelated relationship (interrelated coefficient: $r: 0.3085$, apparent degree $P: 0.0000$).HH

Our urban reform was carried out under the conditions of the residents' excessive income expectations. On the one hand, rural reform had gone ahead and the resultant status was clear enough. On the other we must say that the media had somewhat over-propagandized the results. This not only has brought pressure to bear on consumption funds but also enlarged psychological reactions to price reform and increased people's discontent. The wishes or aspirations not having been met, they have nevertheless stayed high. As a result, despite the fact that in the last 2 years the residents' actual standard of living had been improved to a rather large extent, the demand for income has kept on increasing in force. From our several surveys, the following were the proportions of people expressing the wish: "I hope that reform will give us more opportunities to earn money:" June 1985: 58.8

percent; February 1986 increased to 60.6 percent; June 1986 further increase to 68.1 percent; and in the survey in June 1986, it was found that 86.2 percent of the people believed that "the reform should enable us to more speedily increase our income," while 66.2 percent of the answers complained that "compared with others, their income should be reckoned as being on the low side."

On the back of the pluralism in discontent is pluralism in wishes and aspirations. Reform has increased people's mobility and changed their status, and also has caused their living styles to become daily more diversified. This in turn stimulates their aspirations for a raise in social status and the actual wishes about themselves or their social aspirations. Under a rigid employment system the still unfulfilled economic aspirations strengthen the psychology of climbing up the income ladder. This, in company with the social aspirations which because of the rigid social status system and the lack of regulations have still remained unfulfilled, has strengthened people's opportunity aspirations or their wishes for freedom in choosing their occupation and for equality in competition such as dependence on one's ability to achieve promotion and to earn more money. People in our country usually have the tradition of being concerned with state affairs. Hence, under the conditions of the difficulty in fulfilling other aspirations, reform and certain phenomena (such as improper winds) that have appeared in the course of the reform have speedily augmented people's participation aspirations, or their political aspirations.

All these aspirations have in varying degrees affected evaluation of the reform, and actually lowered it. As seen from Table 2-1 below, opportunity aspirations affected the evaluation of the reform most, far more than the other aspirations. This implies that this category of aspirations is the strongest. Precisely because of this such complaints phenomena as misuses of power for private gains, employing only relatives, no freedom in choice of occupation, inequality in income and in opportunities have appeared in the ranking list of public complaints.

Table 2-1: Relationship Between Reform Aspirations and Reform Evaluation

Reform evaluation	Reform aspirations	
	Interrelated coefficient (r)	Apparent degree (p)
Economic aspirations	-0.2109	0.0000
Social aspirations	-0.1853	0.0000
Participant aspirations	-0.1790	0.0000
Opportunity aspirations	-0.2860	0.0000

Source: Our institute's survey questionnaire of 2,451 people in 38 cities, conducted in November 1986.

Capacity To Bear and Reform Evaluation.

So far as the individual's socio-economic life is concerned, reform implies not only an increase in opportunities but also an increase in risks. The increase of

market factors in the economic structure inevitably leads to an increase in uncertainties in the individual's social life such as fluctuations in commodity prices, non-stability in income compared with before, possibility of unemployment, and so on. During the reform's preparatory and initial development stages the greater the people's ability to bear risks, the greater is their enthusiasm in reform evaluation. This has been verified by our several surveys at the time. When reform enters a stalemate stage, those with a higher capacity to bear the risks (people of this kind are usually more progressive and adventurous in spirit) are inclined to lower their evaluation of the reform due to their dissatisfaction with the speed of the reform and its initial results. At that time those people with a medium grade capacity to bear the risks are frequently those who evaluate reform the highest. Naturally, those who give the lowest evaluation to the reform are those whose capacity to bear the risks is the lowest.

However, seen from the overall level and the need for further reform, people's capacity to bear the risks still generally tends to be on the low side. As seen from Table 2-3, the respective percentage of people who choose a living style of fewer risks and those who choose a living style with medium risks are 41.2 percent and 38.4 percent, whereas people choosing a living style with high risks account for only 20.4 percent. It may thus be seen that improving people's adaptability and ability to bear risks is still an indispensable link in our current reform.

Table 2-2: Ability To Bear and Reform Evaluation

Ability to bear	Reform evaluation	
	Gross marks	Ranking
Low	41.6520	3
Medium	44.4240	1
High	44.2257	2

Apparent degree P equals 0.0000.

Source: Our institute's survey questionnaire of 2,555 people in 20 cities conducted in February 1986.

Table 2-3: Choice of Living Style and Reform Evaluation

Choice of living style	Reform evaluation	
	Gross marks	Ranking
Stable income level, no unemployment risks, but low income	43.2747	3
High income, no unemployment risks, but unstable income level	43.3976	2

Apparent degree P equals 0.0000.

Source: Our institute's survey questionnaire research of 2,555 people in 20 cities conducted in February 1986.

Aspirations—Ability and Reform Evaluation

Each person's reform aspirations and ability to bear are different. There are the possibilities of having high aspirations but low ability, or of low aspirations and high ability, or of both aspirations and ability being high, or

of both aspirations and ability being low. Obviously, people with low aspirations but high ability should have a high evaluation of the reform while next are those who, despite having high aspirations, are also high in ability. Next are people who are low in ability and also low in aspirations, those having the lowest evaluation of the reform are people who have high aspirations but low ability. Our survey has verified this point. Please refer to Table 2 - 4.

Table 2—4 Composition of Aspirations and Ability, and Reform Evaluation

Composition of aspirations and ability	Reform evaluation	
	gross marks	ranking
low aspirations, high ability	46.4444	1
high aspirations, high ability	43.3801	2
low aspirations, low ability	42.0619	3
high aspirations, low ability	40.4578	4

Apparent degree P = 0.0000.

Source: Our institute's survey questionnaire of 2,555 people in 20 cities conducted in February 1986.

Continuing the analysis of the results from our several surveys we have discovered that it is rather difficult to lower aspirations while the ability to bear may, following the passing of time, be gradually raised. Aspirations are by no means the only factor affecting evaluation of the reform. If only adaptability and ability to bear are sufficient, then despite aspirations being high, the problem is still not too serious. Hence, we must reiterate the stress that seen in the long run, for the sake of enabling the reform to have a relatively stable social environment and to achieve the anticipated results, we must and can only stand firm on heightening the public's adaptability and work unremittingly to push and accomplish this point.

Reform Aspirations and Value.

Reform aspirations and the ability to bear are closely related to the direction taken by people in regard to value. In the value system, the high or low direction taken in risk taking, competition, or changes, affects people's adaptability and ability to bear as to being high or low. This being the case, what kind of aspirations has comparatively close liaison with the direction taken in regard to value? According to our survey the kind of aspirations which have the highest interrelated degree are opportunity aspirations. Economic aspirations come next while social aspirations are a poor third.

On the one hand this illustrates that seeking equal opportunities and just and fair competition helps most in elevating people's own nature for forging ahead and in raising their ability to bear risks. On the other it enlightens and leads us to further investigate the question: Could it be that our existing different forms and regulations in meeting the various aspirations have led to the meeting of the various aspirations posing different demands on people's ability?

Comparing the separate form of meeting social aspirations and economic aspirations: Basically, the former is based on the old system, being a sort of unilateral endowment and extremely unequal type which is unregulated, devoid of risks, and scarce or lacking in opportunities. In our society, due to the existence of the rigid status system between the three large categories of status (peasants, workers and cadres) characterized by the demarcation of being high or low, the possibility of mobility is extremely small. When a city resident first goes into employment (or enters a university, middle school, or a specialized institute), his status is instantly determined (a peasant's is determined at the moment of his birth) and the hope of making a change is almost impossible. If a worker wishes to attain the status of cadre he must first attend one of the big universities. Even after graduation, whether or not he becomes a cadre will still have to depend on the good grace of the leadership of the unit concerned. So far as an individual is concerned an opportunity of this kind is entirely

accidental and unregulated. When first entering employment the description in the recruitment target will determine whether from now on the person will for life be an ordinary worker or a cadre or whether he will work for an organ owned by the whole people or by a collective. As for promotions in posts this is all the more unregulated. This is because we have never universally enforced the proficiency assessment system, which after all may not be very effective. Thus, the ways and means in society and the relationship with the leadership frequently provide the key to effecting a change in social status (change in status or promotion to a higher rank). This way of meeting aspirations which lacks the factors of fair competition and the corresponding risks naturally does not require people to struggle to raise their character in forging ahead and their ability to bear risks. On the other hand, the way of meeting economic aspirations is different. In comparison the latter's new structure carries more factors, provides more opportunities, is stronger on the side of regulations and just and fair competition, and exacts a stronger demand on people's quality in forging ahead and their ability to bear risks.

Table 2-5 Analysis of the Interrelations Between Reform Aspirations and Value

Reform aspirations	Directions taken in regard to value									
	Risk		Competition		Change		Autonomy		Equality	
	r	ranking	r	ranking	r	ranking	r	ranking	r	ranking
Economic	0.1812	2	0.1541	2	—	—	—	—	0.103	3
Social	0.1217	4	0.1214	4	—	—	—	—	0.0809	4
participation	0.1601	3	0.1373	3	0.0562	2	0.0295	1	0.1352	1
opportunity	0.2215	1	0.1787	1	0.0894	1	0.0276	2	0.1333	2

Source: This institute's survey questionnaire of 2451 people in 38 cities conducted in November 1986

III. Opportunity, Risks, and Social Selection

Opportunity and Risks

In the second stage of socio-psychology people's demand for opportunities has already appeared. After entering into the third stage, with reform steps being slackened and the formation of a stalemated state, and with the instability to promptly implement the reforms in the enterprise system, the employment system, the labor wages system, the social protection system, and the cadre system, there was no way to create more opportunities for people to select occupation or their unit of work, nor to raise their income and social status. Accordingly people's opportunity aspirations became further strengthened and were actually the principal ones. The public's discontent may then be attributed to the scarcity, shortage, and inequality of opportunities. In our survey of 1,007 staff members and workers in 94 enterprises in 6 cities conducted in December 1986, it was found that 37.4 percent of the people were discontented with their occupation and their work unit, and that 49.8 percent of the people expressed their desire to change their work unit. The reasons (there were 11 of them) were first, "low income," second, "poor housing, welfare and other living conditions," and third, "current work not being in harmony with one's own interest and likes." All of these were economic and social demands. Seen from the angle of mobility, 82.7 percent of the people would rather select units owned by the whole people,

while only 1.4 percent would plan to join collective units. Of those planning work transfers, the great majority expressed the wish to change their occupation, with only 18 percent showing their willingness to continue to be workers.

Although we have said it many times before, we cannot but reiterate strongly that up to now the reform has brought more risks and greater instability to the populace, such as rises in commodity prices, but has failed to give them corresponding opportunities such as the possibilities of finding, through job seeking efforts, jobs with higher pay and position, and selecting places of work. If this state of affairs continues for long the discontent will be further aggravated. Hence, without dwelling on the important significance of labor mobility and market formations to reform of the entire economic structure, even speaking from the angle of the socio-psychological environment we must find it obligatory to go ahead through reform of the employment and labor wages, social protection, and cadre systems, to create more and more equal opportunities for the populace.

On the other hand, even though the reform has brought along opportunities, people have not fully utilized them. One important reason for this is that these opportunities and the accompanying risks they bring are out of proportion. For example individual operators have a higher income but also have large risks such as economic risks (market's instable character), social risks (an inability to

enjoy social benefits [shehui fuli 4357 2585 4395 0448] such as free medical care and other social amenities such as employment, retirement funds, and so forth, and also political risks (possibility of policy changes). Contrarily, although staff members and workers in state-run enterprises have a low income, they have few risks and have no worries about old age, sickness, or death. In addition, due to the lack of legal protection people have no way of making a rational anticipation of these opportunities. These opportunities, unregulated and lacking the possibility of development, either scare people away or fail to attract people's interest. Hence, despite the fact that earning more money will not hurt and although in comparison with changing one's status the chance of engaging in individual pursuits earns much more and is high in equality rating, the number of people willing to resign their jobs to take up individual pursuits is very small and practically nobody wants to permanently do so.

If we are unable to provide people with rational opportunities with justifiable risks that can be anticipated, then on the one hand people's motive power in utilizing the new opportunities will be weak, but on the other their wishes to seek rational opportunities will keep on increasing. This will make it difficult to intensify the reform as the people's discontent will be increasing every day. Actually, the key lies in making the ratio between the opportunities and the risks rational and at the same time establishing concrete and open legal and institutional protection.

Equal Opportunities.

The shift in the public's complaints from the rise in commodity prices to improper practices and the problems of occupation selection and income distribution implies that the central problem in the current stage of public discontent is the inequality in opportunities. Fulfilling the people's aspirations for equality in opportunity helps in raising the public's estimation and evaluation of the reform, and at the same time is beneficial to augmenting people's character for forging ahead and their ability to bear risks. Therefore, solving the problem of equal opportunities is where the key to basically and suitably solving the problem of people's discontent lies.

Social Evaluation and Social Selection.

The key to increasing rational opportunities and injecting them with the element of equality lies in forming effective and rational social evaluation and a mechanism for social selection, in fulfilling people's various aspirations under the role of this type of mechanism, and, at the same time, in utilizing this kind of mechanism to regulate people's various kinds of aspirations.

Market evaluation. Under the coordination of reform of the social protectionist systems (such as changing employment protection to un-employment protection, housing reform, and so forth) we should carefully and

meticulously change the rigid employment system; adopt certain transitional measures; set up corresponding intermediate organs (organs serving the movement of labor force and welfare representative bodies); gradually open up and form markets for labor movement and the labor force; and organize the corresponding legal protection and institutional protection systems. By so doing, it will be possible, under the conditions of not over-increasing the risks, to provide people with more opportunities while at the same time, with the markets being open to the public, equality in opportunities can be effected if we can gradually install rational regulations.

Dropping the link between social welfare and social protection systems with employment, proceeding in the direction of socialization, and breaking the current practice in social protection of everyone eating from the same big pot, may to a definite extent increase the risks of certain low-income earners in state-run enterprises and weaken the risks of high income earners in individually-run and civilian-run enterprises. By so doing, and in combination with the formulation and perfection of commercial statutes, rationalization of opportunities will be facilitated.

Institutional evaluation. This appertains to evaluation carried out in accordance with the relevant regulation by people, units, or bodies possessing the authority to make the evaluation. Hence, in order to make institutional evaluation just and effective, the key lies in establishing rational rules. Rules may be gradually perfected and rationalized but first of all rules must exist otherwise this will be vain talk. Reform of the army cadres system is an example. At the start of the enforcement of the requirement for army cadres to go through schooling, due to the setting up of concrete and rigid regulations under the conditions where concrete and rigid regulations were originally lacking, there were certain unavoidable side effects which caused people to miss their original aspirations and thus bred certain discontent. But the setting up of concrete regulations itself is something of extreme significance, since if one wishes to become an army officer one must first attend a military academy and this will minimize the phenomena of gaining advantage by trickery such as relying on relations with leadership or other social ploys. It causes people to establish long-term conduct and strive hard to elevate their own cultural level and various relevant talents. In institutional evaluation, if the rules are of a sufficiently opened up and rational character and can be rigidly enforced, there is also the possibility of raising the degree of equality of opportunity.

Autonomous selection. Formation of the market and fixing of regulations provide the social selection process with the following special feature: Both parties have the power of selecting and both parties believe that they themselves make the selection. Under the form of there being no formal or definite regulations and one side unilaterally endowing the meeting of the aspirations, even though an individual's ability and conditions are

insufficient to cause him to be selected, he frequently believes that this method of selection is unjust and that clearly he has the talents but has been denied the opportunity without any reason. As a result his discontent is directed at the person making the selection, or at the party (frequently the government) for formulating this form of selection. Contrarily, take the case of college enrollment. Due to the existence of concrete regulations and equal opportunities, if one's middle school records are not good enough or if one's middle school records are not good enough or if one has failed several times in the college entrance examinations, one will come to the conclusion that one's own level is not sufficient and will change one's mind and select some other future. Generally speaking, one will not feel sore at the system of college entrance examinations or the person responsible for its compilation. This is the good point of autonomous selection. If social selection involves a process of selection by both sides, then blind discontent will be minimized and it will also be possible to regulate the intensity and content of the aspirations. In the above we mentioned that lowering the aspirations could be rather difficult but from the analysis here it can be seen that it is not that aspirations cannot be regulated, but that it all depends on whether or not there is a rational and effective social evaluation and social and social selection structure.

IV. Growth of Organization and Changes in System

Centralizing the nucleus problem of public attitude in the inequality of opportunities makes solution of the problem exceed the bounds of social psychology. Facing the above-mentioned problem, what can be selected and adopted in social psychology is mostly a crafty method of a cushioning effect. The basic solution of the problem lies in changes and reform in the social organization and system. That is, by means of reforming the enterprise, employment, labor and personnel, income distribution, and social protection systems as well as the cadre, educational, and household registration systems, and in combination with legislation construction, we should form on the sides of people's lateral movements and vertical movements (positional changes, promotions) the relevant regulations and a labor market, thereby forming and concretely setting up a meritorious social selection mechanism.

Undoubtedly these tasks are extremely difficult ones. For example, so far as labor movement and formation of a labor market are concerned, the connected reform has rather great difficulties, requiring not only changes and reform in the system but also growth and differentiation in the organization.

Movement Aspirations and Realities.

Although in our survey of 1,007 staff members and workers in 6 cities and towns conducted in December 1986, it was found that 49.8 percent of the people expressed a desire to change their place of work, only

25.7 percent had applied for transfer or resignation. Of the 11 reasons given for not applying, the one that occupied first place was "difficulty in contacting other units and the too narrow channels available." Obviously, without the existence of a labor service organization which is true to its name (not the existing labor service unit organized by an enterprise itself for arranging employment for the sons or daughters of its staff), it is rather difficult for staff members or workers to find employment or employing units by themselves. The reason occupying second place was "the worry that the leadership would not agree." In today's world in which such important matters of livelihood and welfare as housing and kindergarten facilities have to depend on the good graces of the working unit, the reason so given is a very realistic one.

Let us turn next to the difficulties facing the plant head. In the 94 enterprises, 69.5 percent of the factory heads planned to cut down the size of their staff, when and as there was a need to do so, and if they were given such power. Nevertheless, in their replies to the questionnaire they revealed that after promulgation of the four reform measures (provisional regulations) on the labor system, only 6.6 percent of their plants had suffered any great changes in their labor employment, whereas 69.1 percent reported that no great change had been effected and 24.3 percent indicated that there had been no change at all. Seen from the actual figures, in the first months after the formal enforcement (1 October 1986) of the four measures (provisional regulations) the number of employees who had been transferred, resigned, left their posts (including having their names removed from the list of employees), discharged, and dismissed was 1,232. But in the 2 months after enforcement of the regulations the total number of employees leaving their posts in one way or another as mentioned above was only 979, a reduction of 20.5 percent. Why did the enterprises find it difficult or feel unwilling to cut down their staff or dismiss their employees? Of the 8 causes given, the 94 plant heads ranked first the plea that "there was the lack of a corresponding social organ and system to protect the basic livelihood and to reassign posts to the unemployed." The second cause was "there was no legal protection and the plant heads were afraid of their own personal safety." The third cause was "the lack of support from the relevant government departments (such as the public safety departments of districts and the streets and thoroughfares departments)."

Organizational and Institutional Protection.

It can be seen that to facilitate the movement of labor force there must be coordination from reform of the social protection system, and protection from the legal system. At the same time, coordination and regulation from various kinds of intermediate organs are also needed, and social bodies representing the interests of the workers or of the plants in serving the movement, and taking up the non-economic functions separated from the enterprises.

Labor service organs have three basic functions: Job introduction, organizing the re-training of labor force and, in company with the labor union, maintaining the interests of the staff members and workers. The labor union represents the interests of the staff members and workers. The labor union represents the interests of the staff members and workers while the chamber of commerce represents the interests of the plants. Both of these are indispensable organs in coordinating the regulating interests and protecting social security in the course of the labor movement.

Separation of the functions of enterprises poses rather great difficulties. Our enterprises are by no means purely economic organs. In addition to economic functions they are charged with rather large social and administrative functions. In reality, our urban residents (employed population) are not directly controlled by the government but are under the control of the units on behalf of the government. Hence, to a large extent our enterprises are informal grass-roots level governing units under a formal governing unit. As for the enterprises attending to affairs of society this needs no further gainsay. Therefore the targets and motives of enterprises are not purely economic (such as profits or development) and in decisionmaking we must be frequently governed by the demands of their social and administrative functions. Take for example the dismissal or discharge of employees. Because the enterprises have definite functions of maintaining social public safety (such as "comprehensive administration"), they frequently do not dismiss employees who have violated the rules or disciplinary codes. At times, even though an enterprise has made the decision to discharge an employee the public safety bureau or the district or street associations may come around and persuade it to retract the dismissal order. For their part the staff members and workers are frequently unable to realize their wishes to change jobs because the welfare system is not socialized and the consideration or restriction of housing needs. Hence, to separate the enterprises gradually from their non-economic functions to be taken care of by corresponding social organs and structures is a must in seeking rationalization of the enterprises' actions and also in facilitating labor movements.

Short-Term Easing Off and Long-Term Selection.

The crux of the social problem in reform is the inequality in opportunities. This implies that public discontent will be a problem of a long-term nature. Before reform of the economic and political structures have wholly (and not partially) attained an important breakthrough and notable and stable effects, the problem of unequal opportunities cannot be basically solved. This does not mean that we should no longer adopt certain easing-off measures and partial reforms. It only reminds us that in adopting these necessary tactics we should not forget the more basic tasks: Setting up a rational and effective

social evaluation and selection system, and, in a principle manner, regulating the distribution of social interests and the composition of public aspirations so as to ensure the long-term stability and vigorousness of the social environment.

Writer Rebuts Macroeconomic Research Views *HK311313 Beijing JINGJI YANJIU in Chinese* *No 11, 20 Nov 87, pp 48-51*

[Article by Wu Jinglian (0702 2417 8834) of the Economic Technology and Social Development Research Center under the State Council, Dated 6 October 87: "Divergence on Macroeconomic Issues—An Answer to Comrade Zhang Xuejun (1728 1331 6511)"]

[Text] In recent years economic circles in our country have been warmly discussing certain problems in macroeconomic theories and policies, in the course of structural reform. These discussions are extremely necessary to developing the economic sciences and perfecting economic policies. As a participant in the discussions I myself have obtained much enlightenment and knowledge from the large amounts written (including those articles agreeing with and opposing my views).

For example, on relations between controlling gross volume and readjusting the structure, I support the policy of readjusting the structure under the precondition of controlling the gross volume, and do not agree with those views refuting the policy of controlling the gross volume (Footnote 1. In the article "On Controlling Demand and Improving Supply" by Wu Jinglian, Hu Ji and Li Jianguo, RENMIN RIBAO, 10 March 1986). I still highly commend the view held by those comrades that we go into a deeper analysis of the structural contradictions we are currently confronting. Hence I am extremely happy to continue from here on reciprocal discussions with contemporaries in economic circles. Here I wish only to answer the two criticisms levelled at me in comrade Zhang Xuejun's article "Evaluating Certain Basic Viewpoints on Macroeconomic Research in our Country" carried in JINGJI YANJIU No. 8, 1987.

First, he said categorically that I support "adopting a daily liberal policy" and refute the necessity of reform. According to him, "Wu's article raised a basic caption that economic reform requires an opulent (buyers' market) economic environment believing that, with such an environment, competition can be generated among the enterprises, efficiency is raised and thereby the role of the market mechanism is best kept into play, sweeping away all the hindrances." Continuing, Comrade Zhang Xuejun assumed that according to the logic in Wu's article: "If we could only adopt a daily retrenchment policy, everything could be put right; why should we then bother about reform?"

To the reader who does not care to discover the truth, Comrade Zhang Xuejun's abovementioned deductions and his judgement about myself could possibly be

acceptable. However, we need only a little thought to discover that of the cluster of words Comrade Zhang Xuejun used to base his theme, with the exception of the first sentence saying that "Wu's basic theme is that economic reform requires an opulent (buyers' market) economic environment" which reflects my viewpoint, (Footnote 2. Even in these words, there are certain which are not exactly to the point. Some economists holding the same views as mine, such as Comrades Liu Guoguang and Li Chengrui, look at an opulent economic environment and a buyers' market as of equal value. As for myself, I prefer the concept of taking the two as being related and also differentiated. The definition I give to a "comparatively opulent economic environment" or a "relatively opulent economic environment," was a "benign economic environment in which the macroeconomic economic relations are comparatively coordinated, the markets are not in an overly tense state, and the state's finances and reserves of resources are comparatively opulent." Such a description of an "opulent economic environment was first seen in RENMIN RIBAO, 21 February 1985). And subsequently it was explained again, while all the others have no connection with me. For example, where did I ever say that "given an opulent environment," competition, efficiency and so forth can be readily on hand, or that "if we can retrench everyday," everything "will be in good order." I afraid that Comrade Zhang Xuejun cannot answer these questions of mine, because I have never thought or spoken this way. Quote obviously all these were Comrade Zhang Xuejun's own illusions. However, by so doing an obvious loophole appears between the first sentence and the subsequent part of the article: Since the basic theme of Wu's article is that economic reform requires an opulent environment, or as "Wu's" article sees it, an opulent environment is only a condition for reform and only through reform can a competitive market be formed and the benefits be improved. All of this is true. Yet why in Comrade Zhang Xuejun's deductions was this central reform link missing? In reality, in many of my articles I have explained clearly the relations between the three factors of reform's conditions, reform itself and reform's results. For example, in Comrade Zhang Xuejun's centralized commentary on Wu's article it has clearly pointed out that I favored adopting the strategy of "in all other places enforcing retrenchment to the utmost and devoting all efforts to conserving funds for economic reform. The stronger the financial reserves of the state, the larger can be the steps taken in economic reform, and the economic relations on various sides can be more rapidly put in order to the end that finance and economy ... may enter into a benign cycle earlier." In my other publications I have recommended, based on the strategic thought that retrenchment is for coordinating reform and that only coordinated reform can raise economic benefits, concrete lines of thought and programs. If the actual conditions are like these and Comrade Zhang Xuejun's narration of my viewpoints were wholly out of shape, then the possible causes could be one of the following: Either Comrade Zhang Xuejun had not read the whole article before making the comment or, to

facilitate his argument, he "processed and remade" the opposing views. As I see it, in either case it cannot be said to be a fitting attitude to adopt in scholastic discussions.

However in endeavoring to convince people that "Wu's" article "wants only retrenchment" and does not want reform, Comrade Zhang Xuejun did not seem to wholly have the upper hand since in the latter part of the article he had to concede that I was talking about a "liberal environment" in liaison with "reform." Following up he pointed out the second criticism against me that the reform talked about in Wu's article was only price reform or price readjustment which in consequence cut away reform's rich contents. These were his words: "Seen from Wu's whole article and his subsequent views, when talking about the relations between the reform and a liberal environment, the term reform did not seem to refer to reform of the entire economic structure but only to price reform or, more specifically, a "package" of price reform or price readjustment."

If it is said that when Comrade Zhang Xuejun made the first criticism he still had some grounds for argument, in making the second criticism he was all alone with his own conclusion, and this conclusion did not have any similarity with fact.

People familiar with the conditions in economic scholastic circles all know that I belong to the "coordinated reform school," in support of coordinated reforms of the enterprises, markets, and the macroeconomic regulation structure. More recently a certain commentary pointed this out as the "main front" of the thinking by myself and other economists with more or less similar views. (Footnote 2: See Liu Jirui's article "reform Lines of Thought Available for Selection...Starting the discussions from Wu Jinglian's "Probing Into the Problems of Reform," DUSHU, No. 9, 1987) As for price reform my views are only an elucidation of the views from the CPC Central Committee's decision on "reform of the Price Structure Being the Key to Success or Failure in Reform of the Whole Economic Structure." At the same time like many other Chinese and foreign economists, I believe that in the existing price reform, reform of the prices of the industrial means of production (principally raw materials and energy) has fallen far behind the progress of the whole reform, particularly reform calling for expanding the enterprises' decision-making power and for vigorous steps to be taken to catch up. However I never have said, as stated by Comrade Zhang Xuejun, that price reform or price readjustment is all that is needed, or that reform may or may not be needed. On the contrary, in the past three years I have repeatedly explained that reform of the three links of enterprise, market (including prices) and the macroeconomic regulatory structure (including finance and currency) is sorely needed, and has in actual practice helped such reform to be realized. To Comrade Zhang Xuejun, who is extremely familiar with conditions in our economic circles, all this should have been well and clearly known.

Even in the Wu article mentioned by Comrade Zhang, simultaneously with pointing out defects in the earlier stage of the reform such as measures being uncoordinated and unsystematic, I dwelt on the necessity of coordinating such reforms as an enlargement of the decision-making power of the enterprises, formation of a new price structure, setting up a competitive market, and augmentation of the regulation systems for finance, currency and so forth. Subsequently, between July and August 1985 I further clearly pointed out and discussed the necessity for the enterprise, the market, and the macroeconomic regulation structure to take the same steps in coordinating with reform (Footnote 3: See my writings "single Items pushing forward or Coordinated Reform," "Our country's current reform seen from Hungary's experiences," carried in "Probing in Problems of Economic Reform," published by the Hope Publishing House, 1987 edition pp 268-269, 380). If for some reason Comrade Zhang Xuejun was not aware of the above, he was present at a certain meeting in early 1986 when I and certain other comrades brought up a supposition for a reform program in the first stage of the "seventh 5-year Plan," under the title "Carrying out Coordinated Reform of the Three Basic Stages with the Target of Improving Macroeconomic Control." Of course it is still subject to discussion whether or not this supposition of coordinated reform is correct or whether or not it is too idealistic but how is it that under the condition of Comrade Zhang Xuejun having a clear knowledge of my views on coordinated reform, he should still have insisted on saying that my reform had referred only to "price reform." This is indeed inexplicable.

The facts I mentioned above are meant to explain that the two criticisms directed at me by Comrade Zhang Xuejun were built purely on his own imagination. But this does not imply in the least that on the problem of macroeconomy there is no important divergence between Comrade Zhang Xuejun and me. In reality, a divergence does exist.

For example, speaking from the basic point of theory the divergence may exist on two sides: First, as I see it any form of economic structure, only under conditions whereby its constituent parts or stages are mutually connected, can operate normally and perform the functions of effectively arranging and handling the resources. Therefore, the current state of two structures remaining aloft and opposed to each other, the "double twisting" of prices, and the markets becoming seriously stagnant, economically and politically has caused various kinds of disadvantageous consequences. It cannot continue or be left unsolved for long. If there is a determination to realize the so-called market-oriented reform, it is necessary to take decisive steps on such longstanding regressive phases as the inability to smooth out the price structure and establish competitive markets at an early date, put reform benefits already gained into best play and, on that basis, further push forward the three-stage coordinated reform and seek the early display of the

integrated functions of the new structure. However, in the eyes of Comrade Zhang Xuejun and other comrades regardless of whatever reform strategy is adopted, track-changing and transition from the old structure to the new is a prolonged historical process, and a "time-wasting and longterm social movement" is inevitably involved. At present, the "double-track" system in prices and other fields is currently displaying its great historical role. "Before the completion of the change and transition of the whole vast operation structure it will be possible to break the unequal "caste system" in enterprises and enable them to free themselves from the restrictions of administrative subordination and class differences." For this reason a quick change is not necessary. For the present the way out is to get rid of the atmosphere and pressure of readjusting the prices "in one step," or "to speed up the transition from the old to the new" and be prepared to avail of "the efforts of several generations of people to come" to realize this track-change and transition (Footnote 4: See "Probing on Economic Reform Problems," pp 279-282). Second, as I see it a relatively opulent economic environment is the basic precondition for the smooth progress of coordinated reform. Hence, at the present stage the starting point of a macroeconomic policy should be to create and to maintain such an environment and in arranging for production's growth rate and the extent of the improvement in the people's standard of living, consideration should be given to reform's needs. On the other hand Comrade Zhang Xuejun and others are of the opinion that economic growth is the basic and material guarantee for economic reform, and must be guaranteed by all means. Adoption of a contractive or retrenching financial and monetary policy will bring about "economic recession." Moreover, according to Comrade Zhang Xuejun's suppositions, the ongoing stage of important reform measures does not need a "comparatively opulent" or "relatively opulent" economic environment; on the contrary, "people engaged in practical work" and "people engaged in theoretical work" must "all" be prepared to carry out reform under conditions that are not too opulent (Footnote 5: "Strengthening Macroeconomic Control is not Equivalent to All-round Retrenchment," Shijie Jingji Dao Bao, 8 April 1985; "Evaluation of Certain Basic Viewpoints in Macroeconomic Research in our Country," JINGJI YANJIU No. 8, 1987).

In the abovementioned mutually divergent theoretical background, we have formed extremely divergent conclusions regarding the macroeconomic conditions in different periods of our country and the counter-measures that should be taken. 1) For example at the end of 1984 and in early 1985 there was a trend toward gross demand greatly exceeding gross supply. A batch of foreign and Chinese economists including myself believed that we were facing the danger of currency inflation and should devote all efforts to implement the state council's decision on reinforcing macroeconomic control, controlling the growth rate of fixed assets and the residents' income, and reducing the gross volume of money supply. But comrades like Zhang Xuejun and

others were of the opinion that what had appeared at that time "was just the beginning of the inflation of gross demand and not equivalent to the occurrence of a serious inflation." Too great a retrenchment force might "aggravate" the "difficulties and friction," and cause the economy to fall into a deep pit (Footnote 6: "Strengthening macroeconomic control is not Equivalent to Carrying out All-round Retrenchment," Shijie Jingji Dao Bao, 8 April 1985). 2) At the end of 1985 and in early 1986, certain economists including myself, believed that after a whole year's work in 1985 our country's economy was in the conversion from tension to opulence but that gross demand still far exceeded gross supply. Hence it was an opportune time to adopt the guideline of improving macroeconomic control under the conditions of continuing to strengthen macroeconomic control and, under the conditions of continuing to control demand, to improve supply. But Comrade Zhang Xuejun and others were of the opinion that at that time "market demand was already in weak shape," "a state of production capability lying idle began to appear universally," "withering and recession" were being accumulated and hence we should stop "reduction of gross volume," and "speedily readjust the macroeconomic strategy" (Footnote 7: See "In the Course of Retrenchment We Should Guard Against Too Violent a Fall," Shijie Jingji Dao Bao, 6 January 1986). 3) After the second quarter of 1986 the proposition of loosening the money market and ensuring a growth rate gradually gained the upper hand. This resulted in credit and loan (first of all industry's circulating fund loans) speedily expanded in scale and caused the 1986 increase in money supply (the growth rate of money in broad sense and of cash increased respectively by 19 percent and 23 percent) to far surpass the growth rate (only 7.4 percent) of the national income. [paragraph continues]

At that time a number of we economists, noting that money in over-supply, after a period of stagnation will form actual purchasing power and impose an enormous pressure on the market, consequently recommended that government take stern preventive measures and to restrict demand from continuous inflation and thus prevent undue fluctuations in commodity prices. Comrade Zhang Xuejun and others looked at the situation with complacency and advanced the theory of the "non-symmetric nature of relations between the material objects system and the monetary system," to prove that an increase in financial deficits, an over-supply of money, and a large-scale rise in foreign exchange rates should cause no alarm because "the supply and demand condition of the material goods system in the national economy has turned for the better ranging from gross volume to structure and from the short-term to the longterm." At the same time they took to task those comrades "who had hurriedly come to the conclusion that the 1986 economic situation was extremely serious, and that a major operation would be needed in 1987 like the renewed readjustment undertaken in 1982 (words quoted from the original). This "not only overlooked the fact that the supply and demand situation in the material

objects system had turned for the better, but at the same time lacked a basic understanding of the current operation in our country of the materials objects and monetary systems." As seen by them, in 1986 due to eradication of the "atmosphere and pressure" arising from erroneous judgement and the "selection of a correct road in the nucleus problems of enterprise structure reform," in "the line of thought in policy making" our country "has completed a conversion of a historical nature not only enabling the economy to become stabilized and turn for the better," but also "decidedly set up a new historical starting point in economic development and structural reform." (footnote 8: See "China: Stability and a Turn for the Better in the Economy and a Turn of a Historical Nature in Reform," Shijie Jingji Dao Bao, 19 January 1987). Naturally that the 1987 economy would smoothly become stabilized and develop was beyond question. 4) By the second quarter of this year there were many signs showing that the excessive amount of money input last year was stirring trouble and that in the second half of the year there would possibly be fluctuations in commodity prices. Hence, despite the divergences in estimating the extent of the seriousness of monetary inflation, many economic and financial specialists believed that forceful measures should be taken to earnestly implement the macroeconomic policy adopted at the provincial governors' conference held early in the year which called for "double increase and double economy" and "three protective measures and three compressing measures," to prevent large fluctuations in commodity prices. On the other hand, comrade Zhang Xuejun's views were different from those of the great majority of economists. He said: Certain economists believed that the existence of a stature in 1986 of the "continued inflation of the gross demand" was due to a sort of "misunderstanding and confusion" bred from an unclear understanding of the economic phenomena. In our country's national economy not only is there not the condition of gross demand being larger than gross supply, but on the contrary "a situation of gross demand being smaller than gross supply tends to be initially formed." As he saw it, in 1986, "gross demand was already under full and effective control," the increase in the credit and loan scale and the sharp rise in money supply after the second quarter of 1986 "had nothing in common with credit inflation and inflation of gross demand." According to him, in the course of the national economy gradually turning to the universal use of credit, "the high-speed increase in money supply" "was a normal phenomenon." He urged people not to worry too much. (Footnote: See "The main course of our economic situation is a good one," "SHIJIE JINGJI DAO BAO," 13 April, 1987)

The above-mentioned topics are all vital macroeconomic problems with a bearing on the national economy and the people's livelihood. Regarding these problems, each and every citizen naturally has the right to express his own views. However as economic workers we should study the facts, talk reason, and through discussions on the basis of equality, express our own views, criticize

other people's viewpoints. Only by so doing can we make progress in learning. This is usually the way done by the great majority of comrades in the economic circles. Hence regardless of the degree of perfection of each person's views, and regardless of the findings of the ultimate results as to who is right and who is wrong, each and every one of us should make due contributions to making our country's economic sciences prosperous and to improving the government's economic policies. What people cannot understand is that since Comrade Zhang Xuejun in recent years has expressed so many important views in the discussions, and while he himself has consistently claimed to be in the right and his opponents totally in the wrong, in his recent article "Evaluation of Certain Basic Viewpoints in Macroeconomic Research in our Country" he refrained from saying a single word on all of the above, and avoided dwelling on the actual divergences between him and other writers but sought to battle with a fallacious target. Frankly speaking, Comrade Zhang Xuejun used the words "research evaluation" but throughout the article there was scarcely any academic discussion and it was mostly like "giving marks" to various viewpoints and delivering a "judgment." As one reads the whole article one can only get the impression that Comrade Zhang Xuejun adopted an attitude of "basically affirming certain articles," "basically negating certain articles," and "half censuring and half praising" certain article (Note: the last phrase cannot be understood but it was put this way in the original text and can only be so copied here). However, it is doubtful how much academic value in economics can be gained from a rendition of this kind.

Here, we may also point out that in his article Comrade Zhang Xuejun did not attempt any verification of his own theoretical conclusions but also, when making certain judgments or even in the narration of facts, was wilful to a very large extent. For example, in certain articles I pointed out that reform required an opulent economic environment. But the basic improvement of an economic environment depends on the realization of reform. This is a double-edged and difficult problem that we have met with in the reform. As I see it, this problem is felt by any one taking part in the reform. The reason why we should make a correct strategic selection is precisely for the purpose of loosening this fast knot to the end that economic development and reform of the structure may become a benign cycle of mutual promotion. Comrade Zhang Xuejun does not agree with my expositions. But he does not tell us why this double-edged difficult problem does not exist or, if in existence, why it can be extremely easily solved. Rather, all he did was to label it as a "question which is vague and impossible to test or examine," as if by so doing the opponent's question can fall down without argument and, ipso facto, vanish. It should also be pointed out that in Comrade Zhang Xuejun's many publications this is not the only instance of his deliberately employing hardly understandable words or phrases to take the place of analyzing in a manner of seeking truth from facts.

Again for example, to mitigate the significance of price reform on the success or failure of the whole reform, Comrade Zhang Xuejun told the readers that at the start of the reform Hungary not only "abolished all mandatory planning but also, on the basis of the price structure having been put in order, delegated to lower-level enterprises by far the great proportion of the power of product price fixing. Here, mentioning "basically putting the price structure in order" at the initial stage of the reform has no historical support. It was entirely made up by Comrade Zhang Xuejun. If we turn to any book on this history of Hungary's reform, or publications summarizing Hungary's reform experiences, we find that in price reform Hungary's making too many "settlements" and the delay therefrom in building a rational price structure, was one of the most serious errors in the country's selection of a reform strategy. This precisely led to the government meeting with many macroeconomic interventions from various sides with such tragic consequences as the "financial bridge," "devil's circle," "bermuda Triangle," and so on, and caused the reform to fall into a difficult environment of prolonged stagnation and the difficulty of either going forward or retracing the steps. As I see it, Comrade Zhang Xuejun's method of deliberately distorting historical facts to verify this claim is not exactly in the right. 0896

LIAOWANG On Developing Urban Real Estate Market

HK181045 Beijing LIAOWANG in Chinese No. 52, 28 Dec 87 pp 33-34

[Article by Zuo Mu [0146 3668]: "Develop the Urban Real Estate Market in China"]

[Text] Recently, good news has arrived here from Shenzhen, Shanghai, Tianjin, and some other cities. The good news is this: With State Council approval, some of our country's special economic zones and coastal open cities are presently implementing the system of compensated use of land. This is an important step for developing the real estate market in China. The news has already caused great interest and concern among all the people at home and abroad.

The land in the urban areas is an important means of production and a precious resource. However, for long in the past, under the influence of the mentality of "large in size and collective in nature," our land was used almost without compensation. The system of "eating from the same big pot" in the field of land use not only deprived China of an important financial resource, but obstructed the circulation and reorganization of the various essential factors of production, caused the waste of our country's land resources, and resulted in the reckless use of those resources. Since such a situation does not conform with the demand of the development of the socialist commodity economy, the question of gradually developing the urban real estate market in our country has been put on the agenda of our reform.

What guiding principles, and general and specific policies should we adopt in developing the urban real estate market? I think that we should mainly adopt the following guiding principles, and general and specific policies: 1. It Is Necessary To Separate Land Ownership From Land Management Right

The land is a special kind of commodity. All the urban land is owned and monopolized by the state. Therefore, the transfer of land ownership is not allowed. These are the special characteristics of the land which is a special kind of commodity. However, in order to develop the socialist commodity economy, the land, which is an essential factor of production, should be used more flexibly. The right to use land should and can be commercialized. If enterprises can be closed and can be declared bankrupt, the machines and equipment of the enterprises can be sold off, and their staff and workers can be transferred to other enterprises, the land users can also be changed and replaced. If the land use right is not to be transferred according to the demand of the development of the commodity economy, then it will be difficult for the various essential factors of production to be reorganized. As a result, a lot of land will become idle or will be recklessly used for unjustified purposes. On the other hand, a lot of expanding and rising enterprises will find no suitable land available for them to carry out their development. So, we must separate the land ownership from the land use right just as we separate the ownership of the state-owned enterprises from the management right of the state-owned enterprises. Although land ownership cannot be transferred, the land use right should be allowed to be properly transferred according to commercial principles. The relevant government departments should formulate the necessary rules and regulations governing land use. For example, those departments should stipulate a proper ratio between the area of the land and the area of construction carried out on the land and formulate the scope, methods, and legal procedures concerning the transfer of the land use right, and so on. On the one hand, efforts should be made to ensure that our land resources will be fully and rationally developed and used; on the other hand, we must prevent speculation and profiteering in the course of the transfer of the land use right. 2. It Is Necessary To Make Compensated Use of Land and Carry Out Compensated Transfer of Land Use Rights

Under the conditions of socialist commodity economy, since the land is the foundation of the buildings and the site of all types of production and human activities, it is an essential factor indispensable to the economic and cultural constructions in the urban areas of our country and is therefore of special value. And the state has the right to get proper benefit from the transfer of the land use right. Along with the development of the modernization cause, the functions of the cities will be strengthened, and cities, as economic and cultural centers, will play an increasingly important role. As a result, the value of the urban land will also rise and the land rent will naturally go up. Therefore, to implement a system of

compensated use of the land will certainly help to open up a big source of revenue for our state finance. We should learn from the experiences of Hong Kong in this respect. In a small place like Hong Kong, real estate is one of the important economic pillars. The land rent has always been an important financial revenue of the British Hong Kong Government. For 10 years from 1976 to 1985, the land-rent income on average accounted for 16.4 percent of the total financial revenue of the British Hong Kong Government. Between 1977 and 1978, the land-rent income of the British Hong Kong Government peaked at some 37 percent of its total financial revenue with an annual land-rent income reaching 10.8 billion yuan. From these figures, we can see that the land-rent income has always been of great importance to the British Hong Kong Government.

Along with the development of the economic and cultural constructions, the urban land rent will go up, especially the land rent in the coastal areas where the economic development has been relatively faster over the past few years compared with other areas. However, because the urban land has been used almost without compensation, all the land rent has fallen into the pockets of land operators. The land operators have been earning a big and monopolized profit without having to run any risks or having to put in any hard work. This is a very irrational situation. Materials provided by Wenzhou City, Zhejiang Province show that there has been "a growing popular interest in purchasing flats" in the city over the past few years. At one time, a production brigade in the suburbs of the city built 16,600 square meters of commodity housing, from which the production brigade and the units which carried out economic associations with the production brigade earned a total of 0.3 million yuan, most of which was gained from their land development. From this, we can see that if we do not develop the urban real estate market in an orderly way and if we do not strengthen the management system of the real estate market, land operation will soon become a loophole in our market management and cause heavy losses to our country's financial resources. As a result, only a few people and groups will gain a big profit. At present, in China, it is not just one locality and the building industry but also a large number of factories and enterprises that have gained excess profit from their land use by taking advantage of the rapid development of our country's urban economy. For example, because the land in China is now used without compensation, department stores on busy streets in some cities have rented out their counters to factories or to individual street pedlars for management. As a result, these department stores have gained the rent differential without having to run any risks and without having to put in any hard work. This is an irrational phenomenon which has been widely criticized by the people.

China is a socialist country where individuals or small groups are not allowed to gain rent differential without paying compensation. With regard to this situation, we should first carry out some experiments in order to gain

experience and then formulate the law of the compensated use of urban land at a proper time so as to enable the state to become the final beneficiary of the rent differential.

It is true that at present, we still have difficulties in extensively implementing the system of compensated use of the urban land. The main reason is that our big and medium-sized enterprises still cannot produce very good economic results. If we immediately and extensively implemented the system of compensated use of the urban land in our country, it would be too difficult for many of the enterprises to bear the impact. So, before we carry out the reform of China's revenue system, we should first implement a system of compensated use of the urban land in the field concerning foreign economic relations. The main purpose of this is to make economical use of the urban land, accelerate land development, and increase the economic results. 3. To Combine House Property With Land Property and Make House Property Subordinate to Land Property

Land and buildings are inseparable from each other. Under the conditions of an underdeveloped commodity economy, land property is subordinate to house property and having purchased the house property means having purchased the land on which the house has been built. However, along with the development of the commodity economy, the ownership of housing has become more and more flexible. And because the area of the land is limited, the land use right has become more and more important and has acquired greater stability. This situation objectively calls for a change in the relationship between house property and land property and calls for making house property subordinate to land property and enabling the land ownership to play an increasingly important role in the development of the urban areas.

My own investigations on housing in Hong Kong shows that the main characteristics of house property of Hong Kong are that "the management of the house of the land are combined and house property is subordinate to land property." As far as the relevant activities are concerned, the land is owned by the Crown. However, Crown land ownership is different from the "Emperor's land ownership" which was a type of nominal land ownership in ancient China. Crown land ownership is a real land ownership which brings actual economic results to the Crown. The Hong Kong authorities rent out the land use right to various parties (through its "leasing system"). The lease extends from 75 to 99 years. The person who rents the land from the government can make investment on the land and can carry out its development. For example, if one rents land from the government one can build commercial buildings, industrial buildings, dormitories, hotels, office buildings, and other types of buildings on that land and then sell (actually rent out) both these buildings and the land use right to other parties for management and practical use. During the lease, the one who has rented the land has the right to rent, mortgage, and inherit both the land and the buildings built on the

land. However, when the lease expires, the one who has rented the land has to unconditionally return both the land and the buildings built on the land to the government, namely to the land owner. If the person who has rented the land asks for an extension of the lease, the government can set out its conditions on the extension or the termination of the lease in the light of the actual local situation. As far as I know, the method used by Singapore is almost the same as the one used by Hong Kong.

What we should pay attention to is the question concerning the land owner recovering the buildings built on the land without compensation when the land lease expires.

We can consider the rationality of the law allowing the land owner to recover the buildings built on the land in accordance with the commercial principle. We all know that as facilities for production and facilities for the daily life of human beings, the various types of buildings have the problem of depreciation. At present, the depreciation time of ordinary buildings in the world has been reduced to 30-40 years after construction. When the depreciation time comes, the buildings will no longer possess any value, so there is no need to make any compensation for them when both the land and the buildings built on the land are returned to the land owner. Therefore, it is still fair for the government to recover both the land and the buildings built on the land without compensation after some 40 or more years when the land lease expires. If not, when the land lease expires, the person who has rented the land will still own the property built on the land so that the government would actually be unable to recover the land. Even if the government could recover the land, it would still be unable to make new arrangements for or carry out new construction on its recovered land. If the government insisted on carrying out new construction on the recovered land, since the government is the land owner, it would have to pay compensation to the owner of the house property built on the land and ask the owner of that property to vacate the land. Thus, things would be very unfair.

When leasing the land to real estate businessmen for development, the coastal cities of our country should set a reasonable lease and stipulate that when the lease expires, the land owner has the right to recover all the buildings built both on and under the land without paying any compensation to the real estate businessmen.

The development of the urban land market will certainly open up a completely new field for entrepreneurs, provide them with new opportunities, and at the same time, will also form a pressure and a challenge. The broad masses of the people should strengthen their understanding of the development of the urban real estate market. The development of the urban real estate market will certainly raise many new topics of research for China's theoretical circles. Moreover, we should also carry out in-depth study and discussions on the question of how to formulate the relevant laws as well as some other questions.

PROVINCIAL

Xing Chongzhi's Work Report To Hebei Provincial CPC Plenum

SK302140 Shijiazhuang HEBEI RIBAO in Chinese6 Jan 88 pp 1, 2

[Report by Xing Chongzhi, secretary of the Hebei Provincial CPC Committee, at the Fifth Plenary Session of the Third Hebei Provincial CPC Committee on 25 December, adopted by the Plenary Session on 28 December: "Advance Under the Guidance of the 13th Party Congress"]

[Text] Comrades: The primary task of this plenary session is to study and work out plans for the work of our province in 1988 in line with the guidelines of the 13th Party Congress. I will now make several suggestions to this session for discussion on behalf of the Standing Committee of the provincial party committee.

To enable all participants to consider next year's work in a better manner, I will first briefly review the work of 1987.

Over the past year, party organizations at all levels throughout the province guided the broad masses of cadres inside and outside the party to resolutely implement the party's line, principles, policies, and work plans, and enabled the province to further develop its excellent political and economic situations. The line defined since the 3d Plenary Session of the 11th CPC Central Committee won greater support among the people. Leading bodies at all levels tempered themselves in practice and became stronger. The province's political situation of stability and unity was further consolidated and developed. The macroclimate of reform began to take shape in the province, new progress was made in all reforms, the economy was constantly developed, and economic results remarkably improved. By the end of 1987, according to preliminary statistics, the province's total industrial and agricultural output value increased 12 percent over last year; GNP increased 9.2 percent; national income increased 8.9 percent; financial revenues increased 11 percent; profits and taxes created by all budgetary industrial enterprises increased 23 percent; and the level of deficits created by the money-losing enterprises dropped more than 30 percent. Amid the situation in which the agricultural sector suffered serious natural disasters, we still reaped a comparatively good harvest. Township enterprises are expected to increase their annual output value more than 35 percent over last year. Urban and rural markets were brisk and foreign export trade was further expanded. The people's livelihood improved slightly. New progress was made in various undertakings, including science, technology, education, literature and art, the press, publication, public health, and sports.

We attribute our excellent situation to the following fields of endeavor: First, we conscientiously conducted reeducation along the line defined since the third plenary session and formed the guiding ideology of the two basic points. In the political and ideological sphere, we actively and soundly launched a struggle to oppose bourgeois liberalization, deeply and extensively conducted education on adhering to the four cardinal principles, and did much to improve the ideological and political work of all departments, particularly institutions of higher learning, in strengthening the press and media fronts, and in building Marxist theory contingents. At the same time, we universally conducted studies and propaganda on Comrade Deng Xiaoping's reform ideology, induced the broad masses of cadres, particularly leading bodies at and above the county level, to eliminate interference created by ossified thinking, and comprehensively grasped the two basic points of the line defined since the 3d Plenary Session. Thus, we laid a comparatively good ideological foundation for the sound development of the province's construction and reform. Second, we exerted great efforts to change ideological concepts and unswervingly promoted reform. In urban areas, we assigned priority to grasping enterprises' contract responsibility system in business operations and the development of capital goods and money markets and other reforms, and actively conducted lateral economic cooperation and popularized the experiences of the city of Shijiazhuang, Handan Prefecture, and other units. In rural areas, we assigned priority to improving the socialized service system and village-level cooperative organizations. In reforming the scientific and technological structure, we primarily grasped the work of relaxing control over scientific research organs and adopting flexible policies toward scientific and technical workers. In reforming the educational structure, we prominently grasped the work of restructuring the disciplines of colleges and universities, combined teaching and scientific research work with social practice, improved the educational structure of secondary schools and strengthened vocational and technical education. We achieved remarkable results in all these fields. Third, we strengthened leadership over economic work and continuously promoted the development of the "campaign to increase production, practice economy, increase revenues, and reduce expenditures." The provincial party committee worked out and implemented policies to support a group of key large and medium-sized enterprises that could create a large amount of profits and taxes, to help counties the total industrial and agricultural output value of which was comparatively high, to start key construction and technological transformation projects to strengthen follow-up forces, and to promote regional economic development that centers on the cities; this move played an important role in raising economic results and increasing financial revenues. We also organized specialized forces to investigate and appraise our province's conditions and its strategy for economic development, and worked out the draft outline of the "Hebei Provincial strategy for economic development." Fourth, we implemented the policy of "having

the party handle party affairs" and exerted strenuous efforts to grasp the party's regular party building tasks. After party rectification, we held high on the agenda regular party building tasks in a timely manner, and prominently grasped three fields of work, including work related to the grassroots levels, leading bodies, and party style. We universally strengthened education on the party's purpose, ideals, and discipline among party members; resumed the system of having committee members take charge of organizational work; actively reformed the party's grassroots organizational set-up, activity forms, and party members' education and management; established a system for democratically appraising cadres; replenished and improved the leading bodies and made some necessary readjustments; and exchanged cadres in a planned manner. While opposing the practice of abusing one's power to seek personal gain, we also assigned priority to launching the struggle to oppose bureaucracy and investigated and handled a number of typical cases, thus increasing the fighting strength of party organizations at all levels. Fifth, we persisted in simultaneously grasping the "two civilizations" and promoted the building of the socialist spiritual civilization. The party committees and governments at all levels formulated plans and measures to implement the "resolution on the guiding principles for building a socialist spiritual civilization," and gradually put them into practice. We attached importance to conducting education on common ideals, professional ethics, and popularizing legal knowledge among the masses of cadres throughout the province, and deeply launched activities to build all forms of civilized units through joint efforts by the army and the people and by workers and peasants or by their own efforts. We continued to launch the struggle to deal strict blows to all types of criminal offenses and economic crimes and further strengthened the building of socialist democracy and the legal system. The People's Congresses and the CPPCC Committees at all levels and mass organizations and various democratic parties were further strengthened, and the united front was further consolidated and developed. They played a more important role in building the two civilizations.

While fully affirming last year's work achievements, we should also be soberly aware of the current existing problems and gaps. Although our province has achieved fairly good economic development over the past few years, the pace was not quick enough, the economic results were not good, and many economic targets were below the national average. For example, in 1987, compared to the province's expected average per-capita level for the entire province, gross value of industrial and agricultural output (GVIAO) was 31 yuan less than the national level, GNP was 121 yuan less, and national income was 91 yuan less. Our neighboring province of Shandong's 1986 average annual GVIAO was 1,470 yuan, higher than our province's average per-capita level by 260 yuan; average per-capita GNP was 898 yuan, higher than Hebei's by 137 yuan; and average per-capita national income was 710 yuan, greater than Hebei's by

104 yuan. Compared with the fairly economically developed province of Jiangsu, our province lagged far behind. Certainly, there were incomparable factors for this. However, judging from the overall situation, this reflected where we lagged behind. This situation could not match Hebei's status in the modernization construction drive. To study the cause in terms of ideology and work, we discovered that some comrades, particularly leading cadres, were comparatively ossified in thinking, their awareness of reform and opening up was not strong, and the practice of relying on scientific progress to develop the commodity economy was not universally stressed. The problem that "the party does not handle party affairs" and the problem of failing to run the party strictly still existed in varying degrees, and party organizations' role as fighting bastions and party members' vanguard and their exemplary role were not fully displayed. Although leaders at all levels deeply and systematically conducted investigations and study, they failed to make decisions democratically and scientifically. Some units and comrades lacked the spirit to develop the country wholeheartedly and to work realistically and conscientiously. We have lagged behind in this regard, but by no means should we resign ourselves to it. We should learn from Shandong and Jiangsu Provinces their spirit of waging arduous struggle, pioneering the road of advance, and creating something new so as to strive to enable our province to enter the advanced ranks of economic and cultural development of the country as soon as possible. We occupy an outstanding geographical position, have richer natural resources, have laid an economic foundation, have gained precious experience over the past many years, and possess a large number of outstanding and typical units and deeds in both production and construction. Fulfilling such a target is very possible for the 56 million people of the province, as long as they wage arduous struggle and unite as one.

Fellow comrades, 1988 is the year we will deeply implement the spirit of the 13th CPC Congress and the 3d year for fulfilling the Seventh 5-Year Plan. Succeeding in the year's work is of great significance in laying a solid foundation for the future. During the new year, our major tasks are as follows: Under the guidance of the guidelines of the 13th CPC Congress and according to the principles of the CPC Central Committee with regard to achieving further stability in the economy and further deepening the drive to conduct reforms, efforts should be made to deeply conduct education on the party's basic line, to increase benefits, to accelerate the pace of reforms and opening to the outside world by treating economic construction as a center and bearing in mind the idea of "making Shandong prosperous with science and technology," and to enhance the party's self-improvement to achieve further development in the province's program of building the two civilizations.

1. Deeply Study the Documents Adopted at the 13th CPC Congress and Generally Conduct Education on the Party's Basic Line

Over the past 2 months, party committees at all levels have attached great importance to studying and publicizing the documents adopted at the 13th CPC Congress.

During the study, they have generally paid attention to reading the original documents, their leading cadres have taken the lead in the study, they have answered questions raised by the masses in studying the documents in dialogues and forums, and they have scored better results in implementing the documents while studying them. However, the first stage of the studying period is still preliminary. In 1988 we will more generally and deeply conduct education throughout the province on the basic line of the initial stage of socialism so as to bring about the activities of deeply studying, publicizing, and implementing the documents adopted at the 13th CPC Congress. The initial stage of socialism is the party's general line and the policy for the current period. Only by doing a good job in conducting education on the party's basic line can we unify the thinking of the broad masses of the cadres and the people, integrate the implementation of the party's currently general line and policy with that of practically working the line and policy, more consciously accelerate or deepen the drive to conduct reforms, and continuously push forward the great cause of building socialism with Chinese characteristics. Therefore, party committees at all levels must carefully organize education, exercise their leadership over education well, and make the party's basic line truly strike root in the party and in the heart of the people and become guidance for all work.

In conducting education on the party's basic line, by treating the documents adopted at the 13th CPC Congress as major teaching materials and using the three books written by Comrade Deng Xiaoping, including "Build Socialism with Chinese Characteristics," "Comrade Deng Xiaoping's Important Speeches," and "Uphold the Principle of Conducting Reforms, Opening to the Outside World, and Invigorating the Economy—Selected Works of Important Documents Adopted Since the 3d Plenary Session of the 11th CPC Central Committee", we should emphatically enforce education on correctly understanding the country's conditions and upholding the line of seeking truth from facts, education on the theory of the initial stage of socialism, education on upholding the "one center and two basic points," education on upholding the principle of "self-reliance and arduous pioneering work," and education on building the party under circumstance of conducting reforms and opening to the outside world. The party's basic line is the theoretical result of the politics that have taken place in reviewing the country's conditions in line with the principle of seeking the truth from facts. "One center and two basic points" are the major content of the basic line and the major experience we have gained. The principle of "self-reliance and arduous pioneering work" is the long-standing national spirit that we have upheld or carried forward and is also a fundamental demand imposed on those who determined to make China prosperous. The principle of enhancing party building represents a guarantee for implementing the party's basic line. In the process of education on the basic line, we should guide the vast number of party members, cadres, and masses to conscientiously study the basic line to deepen

their understanding of it; to truly understand the situation of the nation, the province, the cities, and the counties to carry out all work based on reality; to truly understand the theoretical basis and major contents of the basic line to enhance their awareness and steadfastness in implementing the basic line; to truly understand that carrying forward the spirit of self-reliance and building an enterprise through arduous effort will produce gigantic impact on realizing the fighting goals at present and in the near future; to further enhance the sacrificing spirit of working and studying hard to build China into a culturally advanced and highly democratic modern socialist country; to truly understand the great significance of enhancing the party building in the initial stage of socialism; and to enhance the sense of historical responsibility and urgency in realizing the party's basic line. In line with education on the basic line of the party, we should guide the people to consciously safeguard and develop a political situation characterized by stability and unity, oppose various types of activities that violate professional ethics and damage public benefits, and wage struggles against the small number of hostile elements who jeopardize social stability and the people's safety and all evil phenomena that damage social conduct in an effort to create a fine social environment for implementing the basic line of the party.

All localities should carry out education on the basic line of the party in line with the principle of integrating theory with practice, solve the people's ideological problems in line with the guidelines of the 13th CPC Congress, and strive to attain improved thinking and unified action and promote work in all fields. The basic line of the party is the crystallization of collective wisdom and deeply enjoys the support of a vast number of cadres and the masses. However, some people still have wrong, confused ideas about it due to subjective and objective reasons. For instance, some people contend that "the initial stage of socialism makes them feel discouraged because the way to put it out is so low-keyed;" some people have asked, "Isn't it retrogressive since we are only in the initial stage of socialism despite the development of socialism over the past 30 years or so;" some people have slim hopes of success because they compare the 100-year initial stage of socialism with human life; and some people have said that advocating the theory on the initial stage of socialism is a method to defend backwardness and mistakes. Of course, the people must go through a process to understand new theories, particularly due to the long-standing influence of ossified ideas. So, it is comprehensible that one people gave confused and even wrong ideas. However, if we do not solve these ideological problems as soon as possible, the implementation of the basic line of the party will be affected. So, party committees at various levels should guide the people to deeply study the documents; adopt various methods, such as dialogues, discussions, and self-improvement, by summarizing experiences to overcome ossified and confused ideas; correct their ideological understanding; and make sure to consciously implement the basic line of the party over the course of doing practical work.

To achieve success in education on the basic line of the party, the provincial party committee worked out a "proposal" and submitted it to the plenary session for examination and discussion. After the "proposal" is approved at the plenary session through discussion, party committees at various levels should make arrangements to conscientiously implement it. In the process of education on the basic line of the party, propaganda departments of party committees at various levels should conscientiously bring into play their role as advisory departments of party committees; implement the spirit of opening the country to the outside world, the spirit of democracy, and the spirit of seeking reality; ceaselessly summarize experiences; positively conduct explorations and reform; and strive to score actual results in propaganda and educational work. Theoretical workers should study, expound, and appraise the series of major theoretical questions, particularly, the theory on the initial stage of socialism; and disseminate the correctness of the party's basic line, principles, and policies among the vast number of cadres and masses. Press, publication, cultural, and artistic departments should conduct reform in a step-by-step manner, ceaselessly improve their work, and bring into full play their functions for encouraging and educating the people over the course of education on the basic line.

Vigorously Promote the Stable Development of Economic Construction by Treating Benefit Increases as a Center

Amid the circumstance of curtailing financial expenses and loans in 1988, our province should uphold the guideline of "seeking flexibility in a strained situation and seeking rapid growth in stable development," and should exert efforts to increase benefits to achieve better development in economic construction. The major targets of the province's plan for the national economy are as follows: To increase GVIAO by more than 7 percent. Of this increase, that of agriculture is 4 percent and that of industry is more than 8 percent; to increase GNP by 6.5 percent, increase national income by 6 percent, increase financial revenues by 8 percent, and increase total retail sales of social commodities by 14.2 percent. Meanwhile, efforts should be made to resolutely bring population growth under control and bring the province's population growth rate to within 13 per thousand. These targets have been formulated by the provincial planning conference, which has also allowed for unforeseen circumstances. We must exert efforts to fulfill or overfulfill these targets. Toward this end, efforts should be made to emphatically handle the following issues:

First, we must orient, in a down-to-earth manner, the emphasis of economic work on the track of depending on scientific and technological progress and of upgrading laborers' quality. Over the course of further studying and discussing the province's strategy of economic development in 1988, the provincial party committee has centralized the opinions raised by various social circles and worked out the province's initial strategy of developing

the national economy for the period of 1988-2000, which is as follows: Efforts should be made to uphold the principle of conducting reform and opening to the outside world and of depending on scientific and technological progress; to vigorously develop agriculture; to actively rationalize the industrial structure; to resolutely seek the harmonious development of the first, second, and tertiary industries; to vigorously build economic development zones with specific characteristics along the railways and coastline by having urban areas bring along rural areas; and to increase economic results in an overall way to ensure the well-off standard of the people's livelihood as soon as possible. The basic demand of the strategy is to orient economic construction on the track of depending on scientific and technological progress and of upgrading laborers' quality. This also can be called the strategy of "making Hebei Province prosperous with science and technology". At present, the province's standard in the technical installations of industry and agriculture is very low and the standard of equipment and technology on the industrial and communications fronts is only equal to that of 1950's or 1960's. Many localities have not popularized the routine technology of agriculture and been backward in production management. A large number of enterprises have turned out products of poor quality and have suffered high costs. At present, our province's rate for new industrial products and stabilizing and upgrading the quality of major products is still lower than the average rate of the country. Its proportion of technical progress in economic growth is also lower than the average for the country. This key factor has adversely affected stable economic development in the province, particularly the increase in economic results. During the current period, in which science and technology have advanced by leaps and bounds, if we fail to grasp the task of improving the situation as soon as possible, there will be no hope for us making our province prosperous.

To realize the target of "making Hebei Province prosperous with science and technology," we should urge our comrades to discern that where there is no science or technology in production, there will be no prosperity for the commodity economy, no increase of economic results, and no large-scale increase in labor productivity. We should resolutely implement the principle of having economic construction depend on science and technology, which, on the contrary, should be geared to economic construction to promote close integration between science, technology, and modern management, as well as production and construction. In line with the principle of readjusting the structure of both production and products, we must emphasize the province's traditional industries, such as energy resources, raw materials, light and textile products, and machine-building for technical renovations; actively adopt new technologies; take the road of enlarging reproduction with the central task of tapping production potential; and accelerate the pace of developing or applying the rising new technologies of microelectronics and biological engineering so as to gradually establish a large number of new industries. We

should strengthen the basic construction of scientific research organs and gradually improve the conditions for scientific research. It is necessary to deepen reform of the scientific and technological system; exert great efforts to do a good job in "delegating powers to scientific research organs and decontrolling science professionals and technicians"; generally popularize the experiences of Xingtai Prefecture; and wholeheartedly encourage science professionals and technicians to work in the forefront of production on a contract or lease basis, to guide and run enterprises and institutions, and to offer various types of services to units. It is necessary to enhance the enterprises' capacity of applying scientific and technological achievements and developing technologies, to deeply conduct the mass campaign of technological innovation and technological cooperation, and to positively apply international standards and advanced foreign standards to transforming traditional technologies and traditional products and developing new technologies and products. We should upgrade economic results and the growth rate through management, continue to improve and enhance the basic work of enterprises, vigorously carry out the "full workload method," comprehensively popularize advanced experiences in upgrading quality and management, pay attention to upgrading the quality of enterprises, and strive to upgrade management and operational levels through the organization and implementation of the "spark plan." rural areas should develop a group of technological projects that can score faster and greater results with less investment and that are easily applied and popularized. We should further develop technology markets and establish and perfect rural scientific and technological service networks so as to accelerate the transformation of scientific and technological findings into production and construction. The principle of relying on science and technology to rejuvenate Hebei should be implemented. Leaders at various levels and enterprises and institutions should examine whether science professionals and technicians are designated at posts where they are able to bring their functions most into play; and should examine whether or not society pays attention to their work and whether or not they have problems in need of solutions. Meanwhile, we should examine whether or not the existing scientific and technological results have generally been popularized and whether or not there are problems in need of solution. never are we allowed to idly utter the goal of "relying on science and technology to rejuvenate Hebei."

The key to relying on science and technology to rejuvenate Hebei hinges on skilled persons and upgrading the quality of laborers. We should place the development of education in a prominent strategic position, accelerate and deepen educational system reform, consciously upgrade the quality of education and strive to increasingly cultivate more qualified skilled persons. In line with the demands of the province's construction, we should further readjust the educational structure, positively support the development of specialized and key specialized courses among universities and colleges, and

vigorously strengthen junior and senior vocational and technical education. It is necessary to firmly attend to elementary education and to conscientiously implement the law of compulsory education. It is necessary to develop adult education and further achieve success in training and cultivating enterprise staff and workers and rural middle school students. We should continue to perfect the rural educational management system and gradually popularize the experiences gained by experimental counties in overall rural educational reform. we should collect local financial resources and rely on collecting funds from society to improve conditions for running schools in a down-to-earth manner. It is impossible to cultivate qualified skilled persons if there are no qualified teachers. Thus, we must exert efforts to improve teachers' training and enhance construction of ranks of teachers. We should respect and care for intellectuals, fully tap the potential of existing skilled persons of various categories, and make the most of their abilities. The province, localities, departments, and units should make concerted efforts to conscientiously solve intellectuals' housing, medical, and working problems; and should encourage them to have self-respect and to dedicate themselves to rejuvenating Hebei. We should formulate effective policies and measures for promoting the rational flow of skilled persons, changing the situation of the unreasonable distribution of science professionals and technicians, and promoting the optimum development of skilled persons.

Second, we must accelerate the pace of opening to the outside world. The quality and range of opening the country to the outside world produce direct impact on the scale and process of the province's economic construction. We should further be rid of closed ideas, enhance our awareness of and sense of urgency for opening to the outside world, relax the restrictions of the open policy, and bravely expand economic, technological, and cultural exchange and cooperation with the outside world. We must open the province in all directions and all levels, including places outside the province and outside the country. We should bring into full play the province's advantages of being located along coastal areas, positively create conditions for gradually building the Qinhuangdao-Tangshan-Cangzhou open coastal belt with the focus on Qinhuangdao, extend the range of opening the province to the outside world, and accelerate the pace of economic development. We should carry out preferential policies and adopt various forms to positively bring in capital, technology, and skilled persons from abroad; and develop cooperation with the outside world and the export-oriented economy. The province should focus the use of foreign capital on production and construction and strive to bring in advanced technology and equipment from abroad. Priority should be assigned to the development of products that can create foreign exchange through exports, import substitutes, and industrial products to meet the crying needs of the province or the country. The scale of the use of foreign capital should be linked and coordinated with the province's funds and materials. we should link the

work of bringing in and assimilating foreign capital with system reform and trailblazing to take the path of linking technology imports with technological development. Over the past 3 years or so, since Qinhuangdao City began to open itself to the outside world, the city has concentratively grasped the basic work. From now on, the city should make the most of its advantages and strive to promote the construction of a developmental zone by introducing investment from abroad and establishing lateral ties at home in 2 or 3 years. All provincial-level departments and all prefectures and cities should positively and actively support and help Qinhuangdao bring its role as an "outlet" into full play.

The key to expanding the opening of the province to the outside world hinges on enhancing the province's ability to create foreign exchange through exports. At present, we should make the most of the international environment conducive to exporting our products and materials to foreign countries; and positively develop readily marketable products and industries and products with powerful competitiveness and with faster and higher economic results. All localities, particularly coastal areas, should positively develop agricultural enterprises and town and township enterprises that can create foreign exchange for the province. We should do a good job in reforming the foreign trade system, gradually carry out the system of letting foreign trade enterprises assume full responsibility for their profits and losses based on decontrolled management, promote the combination between industry and trade, and carry out the system whereby foreign trade corporations can act as agents for other enterprises in the export of their commodities. It is necessary to enliven economic and trade work, handle relations between industries and trades and between agriculture and trades, do a good job in building export bases, and develop more export commodities. Efforts should be made to make the most of the surplus capacity of the Qinhuangdao sundry goods wharf to develop foreign trade. It is necessary to vigorously develop tourist trade and labor export services to create foreign exchange through these channels.

Third, we must pay high attention to strengthening agricultural construction. Unsteady agricultural production is an key factor in restricting the development of the national economy. We must enhance the sense of urgency for persistently placing agricultural development in an important strategic position of the national economy. Efforts should be made to positively develop agricultural, forestry, livestock, and fishery production. We should attach primary importance to grain production and strive to produce more than 20 billion kg of grain next year. We should correctly handle relations between agricultural production and the development of town and township enterprises; continue to treat the development of town and township enterprises as a strategic measure in making the province's rural economy prosperous and to attend to it; and make sure to improve over the course of development and develop over the course of improvement. Amid the situation in

which market competition becomes increasingly intensified with each passing day, town and township enterprises should pay attention to readjusting their product structures in a timely manner, accelerating the pace of technological transformation, improving the management level and product quality, and developing products with competitiveness among domestic and international markets.

To make new progress in agricultural production, we should increase capital, material, and technological input, and ceaselessly enhance reserve strength for agricultural development. We should vigorously popularize applied agrotechnologies, including plastic-film covering, moulding-typed cropping technology, straw ammonia-tion, ensiling, improved varieties, purification, and rejuvenation. It is necessary to strengthen the construction of farmland water conservancy projects and develop dry-land cropping and water-saving crops. The province and all localities should increase agricultural input. However, we should notice that with limited national and local financial resources, we should rely on the collectives and peasants to accumulate agricultural input. Therefore, we must rely on policies to arouse the peasants' enthusiasm for increasing agricultural input and to enliven the vitality of agriculture. Party committees, governments, and departments concerned at all levels have investigated and studied, in an overall and systematic way, the issues that crop up in agriculture and have carried out the drive to conduct second stage reforms in rural areas, determined whether the continuously effective existing rural policies have been implemented, and have also adopted new policies according to the changing situation. Thus, they have formulated concrete measures for handling local problems that crop up in agriculture.

Judging from the province as a whole, a good job should be done in realistically studying and handling the following issues common in nature: (1) In line with the need of production and the people's desires, efforts should be made to establish or improve the social service system by integration of the mass line and specialized purposes. We should further perfect cooperative organizations at the village level, reinforce economic strength, integrate cadres' pay with the results of their service, and strictly carry out rewards and punishments to render fine-quality, low-cost, and effective services for peasants. (2) Efforts should be made to consolidate or improve the household responsibility system with payment linked to output and the contract system among the trades of forestry, animal husbandry, and fishery. We should also earnestly implement the policies of developing agricultural resources and readjusting tax revenues inside agriculture to upgrade the peasants' enthusiasm in investment. (3) Localities where town-run enterprises are prosperous, a large number of labor forces have been transferred and new job opportunities have arisen, and locations that have fine agricultural service systems and better conditions of farm mechanization may adopt various ways and means to enforce adequate agricultural production management in which all labor forces and farmland have

been fully utilized by conducting pilot work in this regard according to the principle of voluntary participation and mutual benefit and of suiting measures to local conditions. (4) Efforts should be made to have industries give a helping hand to agricultural building and to have agriculture promote the development of industries by opening town-run enterprises and increasing the accumulation of collective funds. (5) Efforts should be made to protect or support the development of industries that produce the means of agricultural production and to vigorously increase the production and supply of agricultural materials, such as fertilizer and plastic sheeting. (6) Efforts should be made to improve the policy of the "three link-ups" and the fixed-quota purchase contract systems of grain, cotton, and oil-bearing seeds. We should also enhance management over the means of agricultural production and combat the phenomenon of retaining the means of production over the course of distribution and raising prices arbitrarily to deliver the fertilizer and diesel fuel covered by the system of the "three link-ups" directly to consumer households. (7) Efforts should be made to earnestly implement the "land law" and successfully conduct land management to protect agricultural resources and block arbitrary land occupation. Localities that have the conditions should enforce the policy in which those who have occupied the land should reform it and those who have reclaimed the land deserve the right of occupation to prevent the reduction of farmland. By implementing the aforementioned measures, efforts should be made to further bring into play the enthusiasm of peasants to promote the sustained and stable development of agricultural production.

The province, prefectures, cities, and department concerned should enhance the work of developing the economy in mountainous areas, old revolutionary base areas, minority upland areas, and poor areas; put the work on their official plan; and define the work emphasis and formulate measures that must be earnestly implemented. A good job should also be done in earnestly conducting relief work in disaster-stricken areas and work to help the poor, properly making arrangements for the victims' livelihood, and organizing victims to provide for and help themselves by engaging in production.

Fourth, it is imperative to consider the work of stabilizing commodity prices a key task in stabilizing the economy. The prominent problem of current economic life is the large-scale price hikes of many consumer goods and the means of production. The key to stabilizing the economy lies in effectively dealing with this problem. The fundamental reason for commodity price hikes is that the contradiction in which total demands are larger than total supplies has not been fundamentally improved. Therefore, we must continuously and deeply carry out the campaign of increasing production and practicing economy, as well as increasing income and curtailing expenses, and do a good job in not only grasping the production and supply of products that enjoy brisk sales, but also in directing consumers to

practice economy so as to block demand that is divorced from reality. In dealing with urban problems that concern the supply of nonstaple foodstuffs, such as meat, eggs, and vegetables, efforts should be made to not only seek flexibility in supply, but also to succeed in production. A good job should be done in adopting concrete measures to support households in the fields of fodder, strains, epidemic prevention, and technology, to develop their production of poultry and vegetables. We should also be determined to establish a large number of nonstaple foodstuffs production bases to upgrade the commodity rate and to increase the market supply. We should accelerate the development of light industry and the textile industry, strenuously produce products in short market supply, actively study and develop a group of new products, and expand the processing of products in an effort to meet needs at different levels in urban and rural markets. In terms of controlling supply and demand, we should continue to control the scope of investment in capital construction, emphasizing non-budgetary investment, resolutely cut investments that need to be cut, and concentrate financial resources on guaranteeing the construction of a group of key projects that may help to strengthen the momentum for economic development. The emphasis of controlling consumption funds should be placed on controlling the group purchasing power of organs, enterprises, and institutions, promoting hard work and plain living, and opposing extravagance and waste. We should restrain enterprises' consumption, link workers' wage and bonus increases with enterprises' economic results, and ensure that the growth rate will not surpass the growth of labor productivity. We should strengthen auditing and supervision work, and conscientiously deal with those persons who arbitrarily issue bonuses and articles and who practice fraud.

Other important reasons for price increases are that some enterprises fail to play their role as the main channel during commodity circulation and that market management is poor. We should fully exercise the role of state-owned commercial units and supply and marketing cooperatives in ensuring continuous supplies and properly regulating prices during circulation. We should also actively conduct cooperation and coordination between industrial and commercial sectors, between agricultural and commercial sectors, and among agricultural, industrial, and commercial sectors; properly solve contradictions in the distribution of interests; actively organize commodity supply; and ensure market supplies. At the same time, we should adopt the method of assigning specialized management workers and allowing the masses to inspect and supervise the work, and should strengthen management and supervision over market prices. It is necessary to conscientiously implement the state's price policies, relax unnecessary control over prices, manage whatever things that should be managed, and strictly forbid all forms of arbitrary price hikes or price increases in disguised forms. State-owned enterprises, particularly those that monopolize the markets, are forbidden to abuse economic strength to force up

prices or disrupt the market. Enterprises that exercise the contract and leasing systems should raise economic results by tapping potential and should not try to arbitrarily raise prices. We should do a good job in monitoring changes in popular agricultural products, the prices of which have been adjusted, and strengthen guidance and coordination work. We should deal strict blows to all types of activities of profiteering and manufacturing and selling fake products in line with the law, and strive to bring next year's increase in the index of retail prices to below this year's actual level.

Fifth, something we must finally stress is that when we grasp economic construction, we must not only base ourselves on the present situation, but should also keep our eyes on the future. The draft outline of "Hebei Province's Strategy for Economic Development," which we have submitted to this plenary session, is a tentative plan of the province's overall strategy for economic development for the next 13 years. The plenary session has discussed and offered suggestions for revising this draft outline. Based on it, the province should formulate plans for scientific, technological, educational, economic, and social development to be implemented until the end of this century. All localities should formulate or revise their local development strategy and development plans to be implemented until the end of this century in line with the spirit of the draft outlines and their own actual situations. This work should be grasped as one of the important tasks for 1988.

3. Further Emancipate Thinking, Accelerate and Deepen Reform

To promote steady economic development in our province, we should accelerate and deepen economic structural reform and realistically invigorate enterprises. The emphasis of next year's economic structural reform should be: In the principle of "separating ownership from managerial authority," we should further improve and develop the contract responsibility system in business management among large and medium-sized enterprises and the leasing system among small state-owned enterprises, and deepen reform of enterprises' managerial mechanisms. Enterprises that have failed to implement the contract or lease systems should actively promote these systems in the principle of conducting public bidding and contracting business through competition. Enterprises that have already implemented these systems should strive to improve them. The emphasis of deepening the entire range of reforms among enterprises should include the following tasks: First, we should improve the leadership system of enterprises and relations among the party, administrative organs, and workers; allow plant directors (managers) to realistically assume full responsibility; and guarantee the supervisory role of party committees and the democratic management of workers. Second, we should reform the enterprises' inherent organizational structure and the personnel affairs system for labor and gradually carry out the system of inviting management personnel. Third, we

should perfect the economic responsibility system and enliven the distribution system. Conditions permitting, enterprises should positively carry out the piece rate wage system and the system of linking wages with fixed work quotas in order to thoroughly eliminate the practice of "eating from the same big pot" within enterprises. We should vigorously consolidate and develop a foundation of lateral economic cooperation with enterprises, set up enterprise groups and enterprise associations with competitive strength, and positively carry out the shareholding system among lateral economic corporations and enterprise groups. In line with the key link of changing the enterprises' operational mechanism, we should positively conduct the supporting reforms in financial and supply fields and strive to enliven the banking and supply markets. We should appropriately control the amount of money to be put into circulation; perfect short-term interbank loans; cultivate long-term money markets; develop urban and rural credit cooperatives; successfully promote the collection and flow of capital; positively improve the credit structure; vigorously support the development of brand-name, quality, and readily marketable products; and support the development of town and township enterprises. We should continue to popularize the experiences of Shijiazhuang City in reforming the old system in which barriers existed between departments and regions and in which goods and materials to be distributed passed through various levels. We have set forth a plan for economic structural reform for next year and will submit it to the plenary session for examination and discussion. The reform of the political structure should be carried out not only resolutely and positively, but also prudently and steadily. It should also be carried out in a well-guided, planned, and orderly manner. Next year, we should focus on separating the functions of party and government organs at or above the county level and those under enterprises and institutions and should gradually conduct reform in other fields. The provincial party committee and provincial-level enterprises and institutions should be the first to separate party and government functions. In line with the functions entrusted to local party committees by the 13th CPC Congress, the Standing Committee of the provincial party committee should study and formulate work plans. On the basis of separating party and government functions, the provincial party committee has decided to abolish overlapping provincial party committee departments and provincial government departments and readjust appropriately the divided work of the Standing Committee of the provincial party committee. With the exception of temporarily reserving the leading party group under the provincial government, we should proceed from various conditions to abolish leading party groups and discipline inspection groups of provincial-level departments and bureaus by stages and in groups. Meanwhile, party committees under the provincial-level organs, departments, and bureaus should be enhanced. In line with the guidelines of the 13th CPC Congress, all prefectures, cities, and counties should formulate work plans as soon as possible, appropriately readjust the work of party committee

members, and restructure the organs of the work departments under party committees; balance the relationship party organizations have with the People's Congress, governments, CPPCC organizations, judicial organs, people's armed departments, and mass organizations at the same level; embark on the path of political leadership; and gradually standardize and institutionalize the work. The work of separating party and government functions among enterprises and institutions should be linked with the reform of the leadership system and the implementation of the plant director (manager) responsibility system and the administrative leader responsibility system. Ideological and political work should be conducted for cadres who have been transferred from their posts after the separation of party and government functions. In line with the principle of emphasizing structural reform and quality improvement, we should organize forces to train the cadres who have been moved from their posts because of the separation of party and government functions in order to enhance the bodies of supervisory and overall readjustment departments. We should conscientiously implement the cadre retirement system in order to provide them with proper arrangements.

Other aspects relating to the political structure reform should be carried out in a positive and steady manner. (1) We can first conduct investigation and study to make preparations for the reform of government organs and must not carry out the reform until the State Council defines a program in this regard. The existing administrative companies should be sorted out and consolidated conscientiously. The comparatively large number of administrative companies under the provincial-level units should be sorted out and consolidated at a faster speed. These administrative companies should be abolished, amalgamated with others, or shifted to other types of units in line with their different actual conditions unless they must be reserved temporarily for work requirements. Meanwhile, the economic departments of governments at various levels should conscientiously change their functions and strive to serve the enterprises and the grassroots. (2) The emphasis must be on expanding the powers of key cities and enterprises and institutions. Delegation of power should be carried out in an orderly manner in line with the work of separating the functions of the party and government organs at or above the county level and in line with the organizational reform. Various central cities should accelerate the pace of conducting reforms in their systems and delegate much power to their subordinate districts in order to help the districts improve their own function. Provincial-level departments, prefectures, and cities should continuously implement "Document No 32 of 1986," which was issued by the province regarding the decision on enlarging the right of counties (cities) to self-determination. As for county-level cities, we should also formulate a list for them in implementing this document. (3) Efforts should be made to actively study reforms in personnel affairs systems. We should realistically implement the principle of "paying attention to practical

achievements" in selecting, employing, and examining cadres. Efforts should first be made to orient the competition mechanism on the personnel affairs management of enterprises and establishments and to create conditions for talented personnel to show themselves. We should boldly create something new, continuously summarize our experiences, and systematize and standardize democratic and open supervision. Efforts should be made to establish a public official system which can be enforced following the unified arrangements of the central authorities. (4) Party committees of the province, prefectures, cities, and counties should formulate several provisions for resolutely implementing social consultation and dialogue. Efforts should be made to extensively carry out this consultation and dialogue at all levels and through multiple channels in line with the major work planned for 1988 and the problem to which the people have paid the greatest attention. Efforts should also be made to realistically upgrade the quality and effect of these activities so as to prevent formalism. (5) Efforts should be made to earnestly summarize the experience, because we have done a great deal of work in improving the problems that have arisen in the socialist democratic systems of politics. Also, in line with the principle fixed by the central authorities, efforts should be made to create more experiences according to the local situation. In 1988 the end-of-term elections of the people's congresses, the governments, the people's courts, the people's procuratorates, and the CPPCC committees in the province and the nine provincial-level cities should be carried out by fully developing democracy and strictly abiding by the law. Efforts should be made to further improve the function of the People's Congress standing committees at all levels, enhance the building of legal systems, and do a good job in conducting education on popularizing the law. We should also enhance the building of CPPCC organizations at all levels, bring into full play the role of various democratic parties, further do a good job in carrying out nationalities and religious affairs, and consolidate and develop the patriotic united front. We should also help the mass organizations such as trade unions, CYL committees, and women's federations to conduct reforms in their systems and their activity style and should support them in conducting their work independently.

To accelerate and deepen reforms, it is imperative that the following points be stressed:

First, we should further improve our ideas and take the steady emancipation of the mind to promote the steady deepening of reforms. It is currently imperative that the ossified ideas continue to be eliminated because they are still major obstacles to the development of reforms. We should continue to regard the principle of "emancipating the mind, seeking truth from facts, uniting as one, and looking to the future" as a basic slogan in promoting reforms and construction; regard the theory of the initial stage of socialism and the party's basic line as powerful weapons for further promoting the emancipation of the mind; and eliminate out-dated ideas and foster new

viewpoints. We should emphatically eliminate the long-standing non-scientific ideas of socialism and foster ideas based on the initial stage of socialism and of building socialism with Chinese characteristics. Efforts should be made to eliminate the idealist ideas which have been divorced from the development of productive forces and which have judged the improvement in livelihood and the reforms according to abstract principles and by proceeding from fantasy. Efforts should also be made to foster materialist ideas that are favorable for developing productive forces which can be a fundamental criterion in testing all work. We should also eliminate out-dated ideas which have set the commodity economy against the socialist plans and markets and should foster the ideas of the socialist planned commodity economy in which plans and markets are unified. Efforts should also be made to eliminate the idea of blindly seeking purity among the socialist production relations and to foster ideas with the center of public ownership and of distribution according to work and with the coexistence between the economy of multiple ownership and various distribution styles. All of these new ideas will certainly accelerate and deepen reforms in the economic systems and clean up the road of advance.

Making good decisions is also important in guaranteeing the smooth progress of political structural reform. Our present political system of overconcentration of power and lack of distinction between party and government functions is compatible with the past pattern of the highly concentrated mandatory planned economy and seriously obstructs the deepening of economic structural reform. Under the influence of the traditional concepts derived from this political structure, some comrades confused the status of the ruling party with substitution of the party for the government and misunderstood the party's leadership as "taking on everything" and centering on economic construction as directly interfering with specific economic activities. Therefore, they are used to the leadership form and work method of "centralized leadership," "making package plans," and "trying to tackle all problems at once regardless of relative importance." Through studying the documents of the 13th party congress, Comrade Deng Xiaoping's relevant exposition, and Comrade Zhao Ziyang's speech on "separating party and government functions," we should let all people fully understand the defects of the highly concentrated political system, the advantage of the new system in building democratic politics, and the historical changes from the lack of distinction between party and government functions to their separation in an effort to strengthen the party's leading role and the building of political power. We should also make them know the profound historical reasons for the formation and development of the old political structure and realize that it is not any one person's responsibility and that no one should be blamed for the problem of failing to separate party and government functions. Such a move will make each comrade consciously change his concepts, intensify his party spirit, submit himself to the overall situation, and actively participate in reform.

Second, we should enhance our spirit of blazing new trails and strive to make breakthroughs in handling the important and difficult points of reform. We are now in a period of the coexistence of new and old economic structures and of the transition from the old structure to the new, and we have held political structural reform high on our agenda. Under such circumstances, it is even more necessary for us to enhance the spirit and actively explore ways to tackle major and difficult points in the course of deepening reform. For example, we should study ways to make enterprises establish self-regulating mechanisms that give them pressure and impetus, closely combine their responsibility with rights and interests, and help them to make self-improvements; ways to establish and foster a market system for essential production factors such as materials and funds and to properly handle the relationships between relaxing control and exercising strict control while actively invigorating markets for consumer goods; ways to reform the existing planned systems and gradually establish a new mechanism to "make the state regulate the market and the market lead enterprises"; ways to make macrocontrol change from the current direct administrative control to indirect control; ways to deepen the scientific and technological structural reform and genuinely enable science and technology to become the mainstay in commodity production; and ways to further advance and deepen the second step of reform and to conduct a whole range of reforms in cities and counties. With regard to these problems, we must be brave in pioneering the road of advance and exploring and blazing new trails and should strive to achieve new progress in reform. To this end, we encourage party committees and governments at all levels and all relevant departments to conduct all supporting and pioneering experimental works. We should support and protect all reforms having a correct orientation. Any lapses in should be corrected in a timely manner by summing up experiences and drawing lessons in an effort to promote sound development in reform.

Third, we should consider the overall reform situation and strengthen coordination and supporting work. In the course of entering the stage of comprehensively deepening reform, many contradictions and conflicts will emerge in the readjustment of powers and interests of various departments and levels, and their relations will be very complicated. Therefore, party committees and governments at all levels must consider the entire reform situation, develop their relations in a coordinated manner, and carry out a whole range of reforms. In making arrangements for reforms, localities should pay attention to adopting coordination measures in the following three aspects: Efforts should be made to coordinate or link the reforms between the economic, scientific, technological, and educational systems and those in the political systems; and link urban and rural area reforms. Efforts should be made to coordinate the reforms in the economic, political, scientific and technological, and educational systems. Efforts should be made to coordinate reforms in the operation mechanism of enterprises. The

overlapping reforms in these aspects require that coordination work have many multiple projects and be conducted at all levels in order to enable various aspects and reform projects to promote each other. Units and departments should foster the viewpoint of the whole situation and keep it in mind in order to create the cooperative forces of reforms. Efforts should be made to enhance the strength of working organs at all levels in charge of reforms and to bring into full play their role of offering advisory opinions and their function of making overall arrangements.

4. Strictly Manage the Party, Enhance Party Building While Conducting Reforms

Along with the reforms in the political system and the steady enforcement of the principle of separating party affairs from government work, the work of creating favorable conditions for dealing with the problem in which "the party has not managed its own affairs" has raised a new and higher demand for enhancing party building. We should earnestly study and actively explore a new road of party building on which there will be no political movements, only reforms and system construction. Efforts should be made to firmly grasp the party's basic line, a fundamental guiding principle; to strictly manage the party; and to enhance the regular activities of party building so that party organizations at all levels are truly able to withstand the test arising in governmental work and in the principle of conducting reforms and opening to the outside world and to become a strong core in leading the program of building the socialist civilization.

A good job should be done in carrying out ideological building in the party. Emphatically carrying out ideological party building represents the party's consistent tradition and its foundation and guarantee for party construction in other fields. We should bring into full play the role of party schools at all levels and adopt various ways and means to conduct frequent education among party members on the party's basic line and knowledge in order to enable them to always keep unison with the CPC Central Committee and to bring their vanguard role into full play. We should regard the work of refusing to accept or guarding against corrosive influence as a basic task in carrying out ideological building in the party. We must see that since our party has been in power it is easy to raise the ideas and acts of seeking personal gain by taking advantage of power and indulging in extreme individualism and serious bureaucracy. Amid the circumstance of conducting reforms and opening to the outside world, such ideas and acts have become more prominent. Party organizations at all levels should conduct education aimed at specific problems among party members on Marxism-Leninism-Mao Zedong Thought; continuously eliminate the corrosive bourgeois ideology and the lingering feudalist influence; truly ensure the soundness of power, money, administrative practices, relative relationship, and personnel affairs; and always maintain the advanced spirit of Communist Party members.

A good job should be done in improving party style by unswervingly conducting or deepening reforms and perfecting the systems. Party style has indeed achieved a turn for the better since the 3d Plenary Session of the 11th CPC Central Committee, and its main trend has been healthy and upward; however, there have been many practical problems, some of which are fairly serious. We should by no means lower our guard with regard to these problems. The province's major tasks for building party style in 1988 are to emphasize the work of investigating and dealing with cases of seeking personal gain by taking advantage of power and cases of indulging in serious bureaucracy and in acts that negate the existence of organizations and disciplines; to strictly manage the party; and to strive to improve party style to ensure the implementation of the spirit of the 13th CPC Congress. To this end, we should proceed from deepening reforms and perfecting systems, orient our understanding and measures on the scientific foundation, and enhance the measure of consolidating party style in a comprehensive way. Our basic experience in this regard is that we should improve party members' consciousness; consider this work as the key to rectifying party style; continue to strengthen education on party spirit, party style, and party discipline among party members; and enhance their communist awareness. This is work to support the righteous and to consolidate the fundamental principles. We must grasp it with unremitting efforts. Meanwhile, we should also make the following fields of work successful: First, we should strictly observe party discipline and give no consideration to "official powers" and "reputation," no matter how great they are; to "network of connections," no matter how thick they are; and to "one's background," no matter how strong they are. We should resolutely implement the principle that all people are equal before the party's discipline, punish anyone who violates discipline, and never treat violators leniently. Second, leaders should grasp the work and should strengthen leadership over it. The party style should be grasped personally by party committees at all levels, particularly the principal leaders; and leading organs and cadres should take the lead in grasping it. In order to correct people's shortcomings, we must first correct our own. In rectifying party style, leading cadres should set strict demands on themselves and set examples. After separating party and government functions, governments at all levels will have to shoulder heavier tasks in the course of implementing the party's line, principles, and policies. Party-member leading cadres who are government officials should be more conscious in setting strict demands on themselves and should work diligently and perform their official duties honestly. Third, we should strengthen supervision inside and outside the party, do a good job in holding democratic meetings, conscientiously handle people's letters and visits, always go deeply to the masses to hold discussions and dialogue with the people, hold regular party activities, regularly conduct criticism and self-criticism from the higher to the lower levels and among all party committee members, and pay attention to press media

and criticism. All these are good ways to realize democratic supervision inside and outside the party and which we must implement persistently. Fourth, we should establish regulations and systems and plug the loopholes. We must clarify all social reasons for the unhealthy trends that arise, check them in the course of deepening reform and improving systems, and reduce the soil that cultivates all kinds of corrosive phenomena. In short, strengthening the building of party style is a major matter. Party committees and organizations at all levels, discipline inspection departments, and party schools should exert strenuous efforts to explore and study with the spirit of reform and strive to find effective methods for comprehensively improving party style. We must stress that, after shifting the management of administrative disciplinary work to the state organs of supervision, discipline inspection committees at all levels should concentrate their efforts on grasping party discipline and party style and deepen discipline inspection work. Party committees at all levels should actively support the work of the discipline inspection commissions and consciously receive supervision from the discipline inspection commissions of their corresponding levels.

It is necessary to further strengthen the building of party organizations. Although our province's party organizations at all levels have done much to purify party style, there are still some party members who cannot fully or basically meet the requirements. We must persist in the requirements for party members. Apart from resolutely eliminating those decadent elements who undermine the party's cause and the people's undertakings, we should handle on a case-by-case basis those party members who cannot fully or basically meet the requirements. We should persuade some of them to retreat or have their names removed from the party. Some must be educated and urged to correct their shortcomings within a time limit; and if they fail to do so, they must also be persuaded to retreat or have their names removed from the party. Some must be given party disciplinary sanctions. Party members' requests to leave the party because they do not want to perform the obligations defined in the party constitution should be approved. When recruiting party members, we should pay strict attention to their quality and never let unqualified persons enter the party. We should recruit into the party those advanced elements who have emerged in the course of reform and construction and pay attention to improving the situation in which there are none, or very few, or too many aged party members in some grassroots units and on the forefront of production.

The most important task in building party organizations is to build leading bodies at all levels. Efforts should be made to constantly uphold the principle of the "four requirements" in employing cadres and to earnestly do a good job in holding the end-of-term election of leading bodies under county party committees and in readjusting or reinforcing some of these leading bodies. A good job should also be done in building leading bodies at the township and village level in order to bring about

changes in the flabbiness and lack of unity in some localities. We should widen our field of vision and the channel of searching for or selecting personnel and discover or employ a large number of outstanding personnel who have made marked contributions to conducting reforms and opening to the outside world. In particular, we should employ a large number of middle-aged and young cadres. In selecting or employing leading cadres at all levels, we should fully follow the mass line and do a good job in carrying out democratic recommendation and public opinion polls. The new personnel of the leading bodies should faithfully implement the party's basic line and various principles and policies and wholeheartedly serve the people. They should exercise power justly, uphold the principle of party spirit, and have the fine quality of morality. They should also have a work ability that is suitable to their posts and should score relatively and substantially marked achievements, which are the concentrated manifestation of the cadres' morality and ability. Therefore, in examining the achievements of cadres, we must regard their practical achievements as a major basis. Every cadre should be competent in assuming posts from top to bottom and be at ease in accepting appointments or dismissals. We should make proper arrangements for the livelihood of retired veteran cadres and bring their remaining enthusiasm into play. Attention should be paid to preventing or combating malpractices that arise in the work of personnel affairs. Those who have promised high posts and other favors and appointed people by favoritism should be strictly dealt with as soon as they have been discovered. We will never offer an official post to those who have wantonly sought it, but will criticize them or impose necessary sanctions on them. By no means should we tolerate or yield to their requirement. Attention should be paid to enhancing unity among the leading bodies. Cadres who have stirred things up, created obstacles in unity, and framed others should be resolutely transferred to other units; and those who have committed serious cases should be punished in line with party discipline. A good job should continue to be done in training cadres. Beginning in 1988, the province will have the units concerned at all levels be responsible for holding rotation training classes, which will be attended in stages and in groups by party and government leading cadres at the county and township level and by plant directors and general engineers and party committee secretaries of large and medium-sized enterprises. These classes will concentrate on the course of implementing the personal responsibility system in an attempt to upgrade the quality of personnel.

Efforts should be made to realistically enhance the building of intraparty democratic systems. Party committees at all levels, particularly those at or above the county level, should take the lead in implementing the party's principle of the collective leading system and democratic centralism. The provincial party committee will hold its plenary session once or twice a year to study or discuss some major or important issues and to make policy decisions collectively. In 1988 the end-of-term

election of leading bodies under the county party committees will be held in line with the method in which the number of candidates is larger than that of posts. Leading party-member cadres at all levels should truly foster a democratic concept, do away with the idea that prerogatives and privileges go with position, respect party members' democratic right given by the party Constitution, and formulate some concrete systems to ensure that party members exercise their democratic right.

5. Ensure the Fulfillment of Various Tasks With Realistically Fine Work Style

The tasks we face are very glorious but quite arduous. The new situation and tasks require the broad masses of cadres, particularly leading cadres at all levels, to resolutely, wholeheartedly, and carefully conduct their work; to lead the masses with their entirely new mental attitude and realistically fine work style to join in the program of building the socialist modernization; and to score new achievements in the program.

It is imperative that we be full of vigor and vitality and arduously do pioneering work. This is not only a matter of mental attitude and work style, but also a matter related to the overall implementation of the party's basic line. Many of the contradictions and difficulties that have arisen in the course of economic development and reforms should be dealt with in line with the spirit of relying on oneself and building an enterprise through arduous efforts. Each cadre, particularly leading cadres, should resolutely overcome the unhealthy phenomena of fearing hardships and fatigue, averting difficulties, competing with one another to display wealth, going in for ostentation and extravagance, and stressing enjoyment. We must be the first to bear hardships and the last to enjoy comforts and should make it a habit to aim high and pioneer one's cause through hard work and to accelerate the pace of the modernization drive.

We should engage in less empty talk and do more practical work. The party's tasks, principles, and policies have already been clearly defined. Our responsibility is to implement them creatively. Some comrades have indulged in the habit of exaggerating and doing no practical work and have left behind at meetings or on papers many things that should have been managed and finished by just conducting discussions or giving instructions. This practice of engaging in empty talk is also a kind of bureaucracy. We should promote the fact-seeking spirit and work style of working realistically and oppose the bad work style of engaging in empty talk and exaggeration, telling lies, behaving in a lax and undisciplined way, displaying flourishes, and seeking formalism. If all of us can work realistically, work with perseverance while solving all major problems, and grasp the work through to the end, we may create a new situation in our work.

We must adapt ourselves to the demands of the grassroots levels and render good services. All our tasks can be implemented through the efforts of the grassroots levels, and the leadership of higher-level organs can be realized through serving the grassroots levels. Leading organs at all levels, particularly the provincial-level organs, should do practical work at the grassroots levels, always understand their difficulties and hardships, and help them to solve urgent and difficult problems. The demands of the grassroots levels, after being reflected to the leading organs, must be handled quickly and be settled within a time limit. We should promote the responsibility system of managing certain targets and should improve work efficiency. Those who shift the responsibility onto others, dispute over trifles, intentionally make things difficult for the grassroots levels, or abuse their powers to extort money from the grassroots units must be strictly criticized and handled. Next year the provincial, prefectural, city, and county organs should assign 10,000 cadres to the grassroots levels to help backward townships and villages to shake off poverty as soon as possible. The provincial organs and all localities should conscientiously summarize their experience, improve their work methods, strengthen their management, and do a better job in this field.

We should be good at studying new problems and summing up experiences. At present, under the new situation of reform and national development, many new problems and experiences will emerge. To this end, cadres at all levels should have a strong sense of responsibility and devotion to work and should study with great concentration and in the spirit of being eager to learn and explore. We should fully display the role of the think tank, make policy decisions scientifically, and strive to create and discover new things and make progress. Comrades, the 13th Party Congress has chartered a bright road for our modernization drive. There will be all kinds of difficulties and detours in our road of advance, but we have firm confidence and favorable conditions for beingings and make progress. Comrades, the 13th victorious. Under the guidance of the spirit of the 13th Party Congress, let us unite more closely, work with one heart and one soul, make progress earnestly, and struggle to successfully fulfill all tasks for next year.

He Zhukang's Work Report To Jilin People's Congress

SK280345 Changchun Jilin Provincial Service in Mandarin 1030 GMT 26 Jan 88

[Text] In his government work report at the first session of the seventh provincial People's Congress, He Zhukang, acting governor of the province, referred to the issue of deepening the drive to conduct reforms in economic systems and emphatically pointed out: Fundamentally speaking, it is necessary for us to depend on deepening the drive to conduct reforms to develop production, to make technical progress, and to increase economic results. We should take firm hold of the drive to promote the whole situation and the work in various

fields. In the upcoming few years, by firmly bearing in mind the central link of improving the managerial mechanism of enterprises, should continuously deepen or develop the mechanism to further invigorate enterprises. Meanwhile, along with the development of responsibility systems, a good job should be done in conducting reforms in a coordinative manner in the macromanagement system, improving the market system, and in advancing the drive to conduct reforms in a down-to-earth manner. To this end, attention should be paid to the following tasks:

1. Efforts should be made to conduct reforms in the developing trend of the period in which the drive to conduct reforms has been deepened and to enhance the sense of emergency in the drive. Along with the deepening of the drive to conduct reforms, it is inevitable for us to encounter new readjustment in the power and interest between the central and local authorities, between the state and enterprises, and between collectives and individuals, which will certainly enlarge the degree of difficulty in reforms. We should lead cadres and the masses to fully understand the arduousness and complexity of the period in which the drive has been deepened, to deepen their scientific understanding on the nature of reforms, and to further enhance their sense of reforms. We should further emancipate minds; take the task favorable to developing productive forces as a criterion in testing the work of conducting reforms; resolutely guard against leftist and ossified ideas; bring about changes in the mode of thinking, such as being content with things as they are, sticking to old ways, and staying in a rut; and should boldly pioneer the road of advance and create something new.

2. By taking the task of improving the managerial mechanism of enterprises as an emphasis, efforts should be made to further deepen the drive to conduct reforms in enterprises. According to the principle of separating managerial right from ownership, a good job should be done in enforcing various responsibility systems with contracting activities as a center. Efforts should be made to reinforce the managerial right of enterprises and to establish the managerial mechanism of enterprises, which includes both encouragement and restriction; to orient enterprises on the road of joining in market competition and being responsible for their own profits and losses; and to truly turn them into independent commodity producers and dealers. According to this demand, we will continuously deepen or improve the responsibility systems this year. First, efforts should be made to enforce the responsibility system with competition to enable enterprises to become economic organizations full of vigor and vitality. Second, efforts should be made to grasp the work of enforcing the responsibility system as a basic task in the technical renovations of enterprises and to establish a managerial system more scientific and effective. Third, efforts should be made to integrate the work of enforcing responsibility systems with that of developing lateral economic associations to

enable enterprises to perfect their cooperative systems. Fourth, efforts should be made to actively study the road of combining the responsibility system with that of sharing stocks.

3. In conducting reforms in the macroeconomic management systems, efforts should be made to gradually establish new mechanism of economic operation. Conducting reforms in the financial systems is an important link in conducting reforms in a coordinative manner. We should do a good job in grasping this task in a down-to-earth manner this year and in doing away with the practice of eating from the same big pot in financial revenues and expenses. In conducting reforms in banking systems, efforts should be made to uphold the principle of seeking flexibility under the strained currency situation throughout the nation. In conducting reforms in investment systems, efforts should be made to enforce the principle of making investment arrangements at all levels; readjusting control over investments; delegating right to cities, prefectures, and autonomous prefectures in approving investments; and of enlarging the self-determination right of enterprises. In conducting reforms in material supply systems, efforts should be made to gradually reduce the number of mandatory plans for material distribution and to increase the number of guiding plans and market regulations. In conducting reforms in foreign trade systems, efforts should be made to do away with the practice of eating from the same big pot, to do a good job in enforcing the principle of being responsible for profits and losses, and to relax control over foreign trade business. In conducting reforms in grain systems, efforts should be made to further handle the malpractices in which grain procurement has been separated from cash payment and governmental grain purchase has been mixed up with that of enterprises. In conducting reforms in commercial systems, efforts should be made to vigorously develop circulation organizations of light commodities and to actively set up new wholesale business. In conducting reforms in urban construction systems, efforts should be made to orient competition mechanism on the contracting system for projects, to put the work of conducting reforms in housing systems on daily schedule, and to accelerate the pace of commercializing residential houses. Efforts should be made to accelerate the pace of establishing market systems and to actively create conditions for establishing the markets of essential production factors, such as funds, labor forces, science and technology, information, and real estate, in order to set up an integrated market system.

4. Efforts should be made to further deepen the drive to conduct reforms in the rural areas to accelerate the development of the commodity economy in the rural areas. We should further improve the household system of contracting responsibility with payment linked to output. We should allow households to transfer their land contracts that list remunerations so as to gradually transfer the farmland to those with good farming hands and to realize land management in which all land has

been adequately and fully utilized. Meanwhile, efforts should be made to enlarge the scale of responsibility systems. Efforts should also be made to improve these systems in forestry, animal husbandry, sideline production, fishery, and in diversified economy so as to bring into play the method of integrating unified responsibility systems with those of contracting responsibility with specific individuals and to bring into play the role of doubled operation. We should also accelerate the pace of building farm products markets and establish specialized markets with local characteristics in order to set up the opening network of commodity circulation at all levels and with multiple forms and less links.

5. Efforts should be made to enhance leadership and to bring about a change in ideas to ensure the deep development of reforms.

In his work report, He Zhukang emphatically stated: The current competition has become the motive force of accelerating the maturity of markets and the technical progress of enterprises and of renewing products. We should be geared to the markets both domestic and abroad, boldly join in competition by creating famous trade-mark products, and boldly be the champion. We should also be good at bringing into play the strong points so as to win victories by offering outstanding products, adopting flexible measures, and utilizing precise technology. Only by doing so will our province not only increase its economic quantity but also ensure quality improvement. From the long-term point of view, the province's economic development will finally depend on the producers and dealers of commodities and will be determined by the number of talented personnel and by the work of bringing into play the technological potential. We must harbor the idea of cherishing talented personnel and tolerating the demands raised by them and must adopt the adequate methods of training or employing them. We should uphold the criterion of employing personnel in the new historic period and boldly employ those outstanding personnel who have real ability and education and display the spirit of doing solid work in order to bring into play the enthusiasm and creativeness of human beings.

Shaanxi's Mou Lingsheng on Boosting Economy
HK030753 Xian Shaanxi Provincial Service in
Mandarin 0030 GMT 23 Dec 87

[Excerpts] On 21 December, at a work meeting of the provincial party committee, the provincial party committee deputy secretary, Mou Lingsheng, delivered a speech, urging all localities to treat deepening reform as a driving force to promote all-round development of the rural commodity economy.

After reviewing a gratifying situation in the province's rural areas, Mou Lingsheng pointed out: The situation in the rural areas is really good, but we still face some serious problems.

1. The second step of reform has gone beyond the rural areas and needs coordination of the urban reform. This will involve the problem of how to rationally readjust the relationship of interest between urban and rural areas. This is a difficult problem in deepening reform.

2. We lack reserve strength for developing agriculture, and for developing grain production in particular. The increase of prices of agricultural production means has dampened the enthusiasm of peasants for developing agricultural production.

3. With the slow speed of our agricultural development, the province's country-wide ranking is falling and the gap between our province and other provinces has become wider. Therefore, leaders at all levels must have a clear understanding of the province's current position, strengthen their sense of urgency and responsibility, enhance vigor and raise morale, and strive to catch up with other provinces.

On grain production and diversified economy, Mou Lingsheng said that the striking problems in the province's grain production are that the province's arable land has reduced, the demand for land has increased, the agricultural foundation is weak, and we lack reserve strength for developing grain production. The only way out for solving the grain problem is reform, opening up, and economic invigoration, so that the peasants can have ever-lasting enthusiasm for developing grain production, can continuously increase their input, and can develop grain production on a rational scale. [passage omitted]

On development of township and town enterprises, Mou Lingsheng said: The development of township and town enterprises is still in the initial stage in the province, so the province has great potential in this field. We must open up all avenues for developing township and town enterprises and speed up the development. We must establish the idea that developing township and town enterprises is an important strategy for invigorating Shaanxi's economy. We must protect the legitimate rights and interests of township and town enterprises and curb the malpractice of illegally apportioning various expenses from township and town enterprises. [passage omitted]

On the problem of helping poor areas, Mou Lingsheng said: Poor areas account for a large percentage of the total area of the province. This is a basic characteristic of the province's conditions. Accelerating the pace of economic development in poor areas so that they can get rid of poverty and become rich as quickly is an issue of strategic significance in the province's economic development. The provincial authorities will use some help-the-poor funds to invite tenders from enterprises in developed areas that have the ability to expand production to run factories in the province's poor areas and to bring in funds, talented people, technology, management, and sales channels to the poor areas in a bid to stimulate their economic development.

In conclusion, Mou Lingsheng emphatically pointed out: Practice has proved that with the development of agriculture, all other trades will become prosperous and that with a weak agricultural foundation, all other trades will be adversely affected. Leaders at all levels and all departments must reunderstand the importance of agriculture, truly treat agriculture as the foundation of the economy, properly develop rural economy, and promote an economic take-off in Shaanxi.

FINANCE, BANKING

Necessity of Banking Competition Supervision Propounded

40060057 Beijing JINGJI CANKAO in Chinese
30 Oct 87 p 4

[Article by Xie Shaobo [6200 1421 3134], Fujian Branch, Industrial and Commercial Bank of China: "Interbank Competition Should Not Weaken Supervisory Functions"]

[Text] As reform of the banking system proceeds, competition has gradually developed among specialized banks. This has played an unimpeachably positive role in promoting improved service levels and methods in specialized banks and in increasing benefits from the use of credit funds. However, since many grass-roots banks have failed to establish a correct concept of competition, the People's Banks lack any effective control or guidance over business competition from the specialized banks; there is no true linkage between bank results and the interests of those operating them, which has led to a lack of concern for the security of funds and for their results, and to blind competition, and this has crippled the banks' functions of supervising and controlling funds.

This weakening of the banks' supervisory functions poses at the very least the following dangers:

1. Credit risks are generated through competition for customers. Through misguided management and production, many enterprises have excessive stocks of raw materials and huge overstocks of finished products. The banks ought to apply the credit lever in such situations, tightening up on credit and applying penalty interest to overdue or diverted loans in order to encourage enterprises to improve their management. In order to drum up business, however, another specialized bank may fail to examine whether an enterprise's demand for funds is proper and reasonable, instead simply accepting the enterprise's request to transfer its account and its application for a loan.

2. Account settlement discipline cannot be enforced, normal economic processes are disturbed, and the benign cycle of funds through the national economy is broken. Some banks are fully aware that enterprises violate regulations but, because of their need to compete, they do not take the necessary corrective measures, and the enterprises succeed in their unlawful operations.

3. Unreasonable increases in expenditures by enterprises have encouraged expansion of consumption funds. In order to keep their clients, many bank offices cater to their demands, essentially abandoning their supervision over cash and wage funds.

4. Noninterference in the diversion of loans by enterprises for unchecked production has had a negative impact on how well the state's mandatory plans are met. Fearing the loss of clients, many grass-roots banks dare not adopt credit measures or undertake the necessary adjustments; this has led many enterprises to divert loans and compete for raw materials and energy with products under the mandatory plans, which has had a negative impact on how well production and purchase quotas for products under the state's mandatory plans are met.

In order to ensure that the supervisory function of specialized banks is exercised in the midst of interbank competition, it is necessary to establish a range of action within which competition may occur, reinforce the banks' supervisory responsibilities, and encourage each specialized bank to implement the People's Bank's uniform basic monetary and financial policies and money management system. Specifically, the following are proposed:

1. Enterprises should be able to open settlement accounts at only one bank. If an enterprise has loans from several banks, it may hold loan accounts at several banks at a time, but it should have a settlement account at only one. This approach favors increasing the bank's control over enterprise funds and keeps an enterprise from using several different settlement accounts to finagle credit and escape the necessary bank supervision and control. It also helps to improve economic results.

2. Banks should always assign credit ratings to enterprises, so as to make their supervision of enterprises more comprehensive, scientific, and systematic. Banks would provide credit certifications for enterprises with good credit; banks would bear a certain amount of economic responsibility when enterprises obtaining a good-credit certification violate policy or discipline in their operations or trade. This would force banks to strengthen their supervision and conscientiously examine their rating of enterprises. This would encourage enterprises with poor credit performance to improve their management and follow financial discipline in credit and account settlement.

3. Such services as mortgage loans and the acceptance and discounting of notes should be vigorously promoted and the scope of credit settlement and credit loans for enterprises should be appropriately cut back; bank supervision of enterprises should be given legal force, and enterprises should be encouraged to conscientiously accept bank supervision. 13322

Shandong's First Stock Exchange Center Established

SK190735 Jinan DAZHONG RIBAO in Chinese 26 Dec 88 p 1

[Text] To suit the demand of the banking structural reform, to enliven the money market, and to make the money market develop in coordination with the stock market, the Jinan City Trust and Investment Company of the People's Construction Bank of China was formally established on 25 December. At the same time, a negotiable securities exchange center, the first of its kind in our province, was established. All those negotiable securities, which are issued, or issued on a commission basis, by Jinan city's banking organs, and which are allowed by the People's Bank of China to be marketed, can be exchanged at this company's stock exchange center.

Institutions To Monitor Enterprise Finances

OW190127 Beijing Domestic Service in Mandarin 1030 GMT 16 Jan 88

[Text] The State Council recently authorized the Finance Ministry to set up institutions to monitor the financial affairs of enterprises under the jurisdiction of the central authorities in 10 provinces and autonomous regions including Hunan, Shanxi, Guangxi, and Xinjiang, in addition to those already set up in 18 provinces and municipalities, so as to strengthen financial supervision and management over the enterprises in all fields.

According to reports, there are over 20,000 enterprises under the jurisdiction of the central authorities across the country. They have played an important role in the central financial revenue and the development of the national economy as a whole. However, as their profits and deficits are included in the central budget, it is difficult for the local authorities to exercise financial supervision and management over the enterprises, while the central departments in charge of the enterprises are too far away to exercise effective control. Due to loopholes, waste and violation of financial and economic discipline are rather serious in quite a few enterprises. In order to rectify the situation, the State Council authorized the Finance Ministry in August 1986 to set up institutions to monitor the financial affairs of the enterprises in Beijing, Jiangsu, and 16 other provinces and municipalities where the enterprises are clustered so as to supervise and manage the local enterprises. Since their establishment, the institutions have played an important role in helping the enterprises improve their financial management, promoting the campaign to increase production and practice economy and to raise revenue and reduce expenditures of the enterprises, and facilitating the finance and tax inspection. In 1986 alone, the institutions increased nearly 2 billion yuan annual revenues for the central authorities through examining the final accounts of enterprises and taking part in the nationwide finance and tax inspection. They also carried

out extensive investigative study which has actively contributed to strengthening the macro economic control and improving relevant policies.

SMALL-SCALE ENTERPRISES

Export Prospects For Township Enterprises Evaluated

40060055 Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
No 4, 1987 pp 37-38, 36

[Article by Ma Shixin [7456 0099 9515], of the Department of Industry and Commerce, Shandong Institute of Economics: "There Are Bright Prospects for Expanding Foreign Exchange Earnings From Exports Produced by Township Enterprises"]

[Text] As China has opened up to the outside world and stimulated its domestic economy, township enterprises have burgeoned. In 1986 the value of output from township enterprises exceeded the total value of agricultural output for the first time and became a major component of the socialist economy. The advantages of being small and therefore easily adaptable, developing according to the local situation, low production costs, and low product prices have enabled township enterprises to penetrate domestic and foreign markets rapidly, and they have already become a strong competitor. In 1985 township enterprises created nearly 4 billion dollars worth of foreign exchange for the state, and by 1986 that figure exceeded 4.5 billion dollars, for an increase of nearly 12.5 percent. In 1986 foreign exchange generated by township enterprises accounted for about 14.6 percent of the total foreign exchange created in China. There are now 10,000 township enterprises in China producing export products, and they produce over 2,000 kinds of products that are sold to more than 100 nations and regions around the world. The products have already proven to be competitive. They serve the dual purpose of both earning foreign exchange for the state and introducing advanced technology, equipment, techniques, and management methods to township enterprises. From this it is obvious that there are broad prospects for expanding foreign exchange earnings from export-producing township enterprises.

The Characteristics of Township Enterprises Are:

1. Township enterprises are widely distributed and numerous. China is a big country with vast natural resources, and opening up to the outside world and stimulating the domestic economy has aroused enthusiasm among the peasantry. All over the country, many courageous and insightful peasant entrepreneurs have started small enterprises, and township enterprises have sprung up like bamboo shoots after a spring rain. They encompass an extremely broad range of operations, including the five main economic sectors: agriculture, industry, communications and shipping, construction, and commercial services. They touch nearly every trade

in the national economy. By 1985 there were 12.20 million township enterprises in China, spread throughout every province, city, and autonomous region, but occurring most prominently in coastal provinces and cities. The gross value of township enterprise production in 1986 reached 354.09 billion yuan. To expand foreign exchange earnings on exports produced by township enterprises, we must keep the entire nation's interests in mind and exploit the advantages of township enterprises everywhere, but at the same time we must proceed with a focus. Right now township enterprises in Jiangsu, Zhejiang, Guangdong, and Shanghai are earning rather large quantities of foreign exchange through exports: among township enterprises nationwide, they earn a major portion of the foreign exchange from exports. Over 500 township enterprises in Shanghai earn foreign exchange from exports, and the gross value of their export goods totals 1.2 billion yuan. There are 800 township enterprises in Jiangsu that earn foreign exchange from exporting, and they supply goods worth over 1 billion yuan. Township enterprises in Guangdong produce over 900 million yuan worth of exports. Exploiting the advantages that township enterprises in coastal provinces and cities enjoy—a good industrial foundation, quick information transfer, convenient transportation, and an abundance of skilled labor—arouses initiative for earning foreign exchange by exporting. It leads to a great potential for those enterprises that produce superior products to become export-oriented. This extroverted development among coastal township enterprises may simultaneously encourage and stimulate extroverted development among township enterprises in the hinterland.

2. "A small boat is easy to turn about," and this applies also to township enterprises. It is easy for them to change along with changes in domestic and international markets, and it is easy for them to adapt to foreign orders for small lots and numerous varieties. Right now the international market is constantly changing. Consumers in certain western nations seek novel, unusual items. In meeting these demands, township enterprises have certain advantages. For the most part they are small operations, with labor-intensive production, engaged in initial processing and in processing miscellaneous parts for major industries. Most of the equipment in township enterprises is interchangeable rather than specialized, and the enterprises have considerable autonomy. Consequently, they can change course at will without incurring major losses. Factories that produce clothing are an obvious example. Fashions are changeable and highly seasonal and styles change year after year. Compared with large enterprises, township enterprises are more flexible.

3. Township enterprises produce goods with a strong ethnic flavor that foreign merchants readily accept. The north-south span of latitude in China is very large, and local areas experience widely different climates. Moreover, China is an ancient civilization with over 50 different nationalities and a relative abundance of local

agricultural and sideline specialties and traditional handicraft products. There is great potential here to be tapped: the potential exists for foreign exchange earnings on exports of everything from handcrafted textiles to artistic carved goods. In Yun County, Hubei, a township floor-mat factory in the town of Liutong used a wealth of Chinese alpine rushes in the locale to develop a weaving industry. Products from this township enterprise have penetrated markets in Europe, America, Hong Kong, and Macao—15 different nations and regions. Thus, there is a great future in exploiting local advantages, drawing on local resources, and developing products with a strong native character for export.

4. There is an ample supply of cheap labor for township enterprises. The household system of contracted responsibility in the countryside has given agricultural laborers a great deal of autonomy, raised production initiative to an unprecedented degree, and significantly improved labor productivity. Many peasants have been freed from labor in the fields, and this, added to the natural increase in rural labor power and the sudden increase in surplus labor power, has formed a powerful contingent for township enterprise development. Township enterprise development has also ensured placement for the surplus labor force, thus solving the employment issue. In 1986, 79.37 million people were employed by township enterprises throughout China. If we provide active guidance for township enterprises that make use of this huge inexpensive labor force, and if we see to it that even more township enterprises move quickly to become export-oriented, we may both further increase peasant employment and raise peasant income. For example, there are only 30,000 people occupied in processing incoming materials on rivers in Fujian, but peasant income is quite considerable.

Although great potential exists for generating foreign exchange from exports produced in township enterprises, many problems remain. If we are to improve the stamina of township enterprises and continue to increase their capacity to generate foreign exchange, we must accomplish the following supporting tasks:

1. We must actively help to resolve shortages of energy and raw materials for township enterprises that produce export products. Township enterprises are the "malnourished" of tomorrow. They require not a single fen of investment from the state, and they fall at the back of the line for goods and materials figured into the state plan. They rely largely upon their own resources, scraping by and seeking help from grandpa and grandma, or they offer high prices and work through connections to buy through the back door. Often "grain" shortages appear, which affect both improvements in economic returns and contract fulfillment. Energy problems are similarly important. Because China suffers an overall tight energy supply, electricity and petroleum use cannot be guaranteed even for urban areas, not to mention township enterprises. I suggest that a certain amount of preferential treatment in raw material supplies be

accorded to township enterprises that earn foreign exchange by producing exports. Perhaps we can consider allowing township enterprises that emphasize export production to enjoy the same treatment as state-run enterprises, and to enjoy low-priced raw materials and petroleum supplies figured into the state plan. At the very least we should guarantee goods and materials that are in short supply.

2. In order to stimulate their initiative, I hope we can give these township enterprises preferential treatment in taxation and bank credit. It is quite common for township enterprises to be short of funds, and many of them have a hard time carrying out technological upgrading. Not only does this obstruct the conversion of crudely processed manufactured goods into precisely processed manufactured goods, it also hinders township enterprises from expanding reproduction. If the state and local governments favored township enterprises a little in taxation and credit policies, it would undoubtedly give them strong support and might build up their stamina. Zhejiang's experience verifies this. The three major banks in Zhejiang—the Zhejiang Branch of the Bank of China, the Zhejiang Branch of the Agricultural Bank of China, and the Office of Township Enterprise Coordination of the Zhejiang Branch of the Industrial and Commercial Bank—and the Zhejiang Foreign Economic Relations and Trade Department cooperated to support township enterprises that produce foreign exchange earnings on exports. They provided these enterprises with foreign exchange credit and renminbi credit, and vastly increased their ability to produce foreign exchange. Right now Zhejiang is third in the nation in terms of township enterprises generating foreign exchange via exports. In addition, to resolve funding problems we can guide township enterprises to take the path of joint ventures, cooperative ventures, subsidized trade ventures, and leasing services with foreign commercial interests. We have already made a good beginning, and there are now around 900 township enterprises engaged in Sino-foreign joint ventures or cooperative ventures. In Guangdong alone there are 300 such enterprises, and they have resolved funds and equipment shortages to a considerable extent. For example, with the aid of the foreign trade sector, the Yantai Plastic Packaging Materials Plant leased 20 pieces of specialized equipment from Japan, and within 10 months of start-up it had produced 1.04 million dollars worth of foreign exchange. Not only was it able to make its payments on time, it also made a large profit and did an excellent job of solving funding and equipment problems.

3. As for technology and skilled labor, the foreign trade sector, scientific research organizations, and universities and colleges must each do all they can to help. From a long-term perspective, if township enterprises are to become export-oriented, they must put their efforts into improving economic returns, raising quality, and increasing the variety of designs and types. Only then will they be able to meet demand on the international

market. However, because their intrinsic quality is found wanting and they have a weak foundation, they need even more technical guidance. According to surveys, specialized, skilled laborers only account for 0.26 percent of all the workers and staff employed by township enterprises in Nanjing. There is only about one specialist for each five enterprises. This is a pitifully small number. I hope that large enterprises and the foreign trade and scientific research sectors will offer strong support and do a good job of training and circulating skilled workers. I hope they will make the best use of urban technological advantages and actively focus their attentions on township enterprises when they pass on achievements in scientific research. At the same time, they must encourage township enterprises to develop all sorts of economic cooperation and technical coordination with urban scientific research units and colleges and universities. They must encourage township enterprises to invite talented technical and management personnel and technicians out of retirement to contribute their "excess energy" and accelerate technical progress in those enterprises. Actually, for their own development, township enterprises also wish to cooperate with large enterprises, and this kind of cooperation is beneficial to both sides. Township enterprises in the town of Jiahemiao, in Xinjin County Liaoning, cooperated with a textile plant in Dalian to produce clothing, with excellent economic returns.

4. We must do a good job of key support work. Some fairly prominent enterprises, whose foreign exchange earnings on exports exceed 1 million dollars per year, have now appeared among township enterprises. For example, there are the Hangzhou Universal Joint Plant; the Yantai Plastic Packaging Materials Plant; the Limin Fur Factory in Shiqiao Township, Nangong County, Hebei; the Shuangjie Steel Pipe Plant in Beijiao, Tianjin Municipality; the Sihe Village Baling Press Plant on the outskirts of Cangzhou, Hebei; and so forth. It is best that we implement special policies for these kinds of enterprises. We should expand their foreign trade autonomy, increase the amount of foreign exchange they may retain, and so forth, as well as supply them with key monetary and technical support, in order to make them the leaders among township enterprises in producing foreign exchange earnings on exports.

Township enterprises must not only compete with large domestic enterprises, they also must take part in competition on a worldwide scale. If they are to climb into the forest of world enterprises, it will certainly not be easy. Every sector must support them vigorously. I believe that with help and solicitude from all areas concerned, in the very near future the role of township enterprises in generating foreign exchange from exports will grow even greater.

Heilongjiang's Achievements in Town-Run Enterprises

SK010808 Harbin HEILONGJIANG RIBAO in Chinese
11 Jan 88 p 1

[Excerpts] The provincial People's Government held a meeting of town-run enterprises in the city of Harbin 6-8 January to discuss the special issues of accelerating the pace of developing town-run enterprises amid the new situation and bringing about a strategic change among town-run enterprises.

Governor Hou Jie and Vice Governor Chen Yunlin attended the meeting and delivered speeches.

During the meeting the participants contended that over the past few years, although our province was relatively late in carrying out work in this regard, the steps it took were still large thanks to the active efforts of governments at all levels and departments in charge of developing town-run enterprises. Since 1984, average yearly growth in establishing town-run enterprises has been more than 30 percent and the annual output value of town-run enterprises has been 2 billion yuan. In 1987 the province's total output value of town-run enterprises reached 8.23 billion yuan, a 33.7-percent increase over the 1986 figure, accounting for 60 percent of the province's total agricultural output value. Taxes and profits handed over to the state totalled 210 million yuan. The product structure of town-run enterprises has also become increasingly reasonable. The province has established an industrial system at the town-township level for the central production of farm and sideline product processing, building materials, machine-building, electric goods, and mining and drilling operations. The town-run enterprises of construction and communications and transportation have achieved larger development over the period. A large number of able personnel and entrepreneurs at the township level have made themselves known. At present, the influence of town-run enterprises has reached places outside rural areas.

The issue that unanimously concerned the participants during the meeting was how to adopt practical steps to further promote the greater development of town-run enterprises in the province and how to improve these enterprises to a new level and enable them to enter a new stage. Therefore, the meeting put forward the following measures: 1. Town-run enterprises throughout the province should still uphold the principle of achieving great development. Otherwise, the province will lag behind in this regard. 2. In adopting ways to develop town-run enterprises, our province should learn from experience gained by the city of Wenzhou in Zhejiang Province, further emancipate minds, and further relax control over the development of individual-run and privately-run enterprises by using the program of opening more individual-run businesses and household joint-venture businesses as a breakthrough. 3. Efforts should be made to renew the concept and deepen the drive to conduct reforms. [passage omitted] 4. In formulating policies,

efforts should be made to support development of town-run enterprises. [passage omitted] 5. A good job should be done in bringing about strategic change among town-run enterprises. [passage omitted]

During the meeting, the provincial town-run enterprise bureau also put forward the province's concrete plan for developing town-run enterprises in 1988.

FOREIGN TRADE, INVESTMENT

LIAOWANG Notes Better Foreign Investment Climate

HK190951 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 1, 4 Jan 88 pp 18-19

[Article by Wu Chao [0702 6389], consultant and researcher of the State Council's Economic, Technical, and Social Development Research Center: "Speedily Improve the Climate for Foreign Businessmen To Invest in China"]

[Text] Since the adoption of the policy of opening to the outside world, China has made considerable progress in attracting foreign business people to invest and run enterprises in the country. By the end of September 1987, there were 8,943 government-approved enterprises with foreign investment, half of which had started operations and \$7.6 billion in foreign investment funds had actually been used by these enterprises and the offshore oil cooperative prospecting development projects.

Through the establishment of foreign-invested enterprises, we can not only make up for fund shortages in China's construction and import some advanced applicable technology but also import some advanced operational and managerial methods and train a number of technical and managerial personnel. The 13th CPC National Congress has stated in explicit terms: We should open wider to the outside world and constantly expand economic and technological exchange and cooperation with other countries.

Overall, there are both favorable and unfavorable factors in China's investment environment. The favorable factors mainly include:

—China has a stable, unified political situation and a stable society. Being willing to develop relations of economic and technological cooperation with all friendly countries in the world on the basis of equality and mutual benefit, China welcomes and encourages foreign business people to invest in the country.

—China has a vast territory and huge population as well as the biggest latent market in the world.

—China, rich in mineral, energy, agricultural, and other natural resources, has a diversified economic structure, a relatively sound industrial foundation, and certain capability to digest and assimilate advanced foreign technology and management expertise.

—China has ample labor resources and a low wage system. Generally speaking, its employees have received a middle school education or higher. There are in general no labor-capital antagonisms and conflicts in our country. There is no denying the fact that there are still some unfavorable factors in China's investment environment.

—China's industrial infrastructural facilities are not perfect as yet. Some cities have rather poor transport and communications facilities and power supply and inadequate international telecommunications facilities. China still has some difficulties cooperating and coordinating the production of some foreign-invested enterprises using advanced technology.

—Currently, China is reforming its economic structure and new and old structures coexist side by side. This state of affairs is not suited in some ways to the development of foreign-invested enterprises.

—The management and service work of foreign investment lacks soundness. Some localities and departments are still plagued in varying degrees with bureaucratic practices, inefficiency, and excessive approval and examination links and formality procedures for foreign investment.

—China has a dearth of senior managerial personnel in running modern enterprises.

To encourage foreign business people to invest in China, the Chinese Government has in recent years made a lot of efforts. First, immediately after establishing the special economic zones including Shenzhen and allowing Guangdong and Fujian Provinces to pursue special and flexible policies, in 1984 the government further opened 14 coastal cities, including Shanghai, and Hainan Island to foreign investment and in 1985 it also opened the Chang Jiang, Zhu Jiang, and Minnan (Southern Fujian) deltas. Hence, an open multi-tier region has taken shape, extending to all directions of the country from the east to the west and from coastal area to interior areas, thus creating a "mini-environment" or "mini-climate" fairly favorable to the absorption of foreign capital. Second, the government has augmented the construction of infrastructural facilities in such industries as energy, transport, and communications. By the end of 1986, China had 214 deep-water berths and 162 medium-class berths in major ports along China's coastline, with a combined handling capacity of 340 million tons; 14 coastal cities were providing civil aviation services and operating international telecommunications and telephone business; and a considerable improvement had been

achieved in energy supply, facilities related to urban administration, and in the construction of guest houses and hotels to accommodate foreign guests and visitors.

Third, over the last few years, the Chinese Government has promulgated a series of foreign-related economic laws and regulations one after another and signed agreements on investment protection and dual taxation with the governments of more than 20 countries, providing a legal guarantee for foreign business people to invest and set up enterprises in China.

In addition, through extensive investigations and study, the Chinese Government has also made necessary readjustments, supplements, and improvements in some specific policies closely related to the investment environment so as to make them more appealing to foreign capital. In the past year or so since the the "Regulations of the State Council on Encouraging Foreign Investment" was implemented on 11 October 1986, the Chinese Government has promulgated more than 10 specific implementation measures, giving more preferential treatment to foreign business people prepared to invest in China. All this has helped greatly improve China's investment environment as compared with several years ago.

At present, China's investment environment is unsuited in many ways to the further development of foreign-invested enterprises, in terms of either "hard environment" or "soft environment." Since the improvement of the "hard environment" is a fairly long process and the improvement of the "soft environment" can very often produce instant results, China should give top priority to the improvement of the latter. Specifically, we should start with the following three things:

—Accelerate the reform of the economic structure and create production and operation conditions favorable for foreign business people to invest and run enterprises. To invigorate enterprises, apart from giving them full decisionmaking power, efforts should also be made to create necessary market conditions to ensure the free flow of funds and raw and semifinished material supplies, smooth product purchases and marketing, and the easy recruitment of qualified personnel. This is even more necessary for foreign-invested enterprises which are more suited to market economic conditions for their existence and development.

China is now in the initial stage of socialism. The state economy is moving from the product economy to a planned commodity economy; its market system has not yet been fully established; production factor markets have not yet taken shape or have yet to be perfected; and the price system is far from rational. Under these circumstances, foreign-invested enterprises encounter some difficulties in such areas as fund raising, raw and semifinished material supplies, recruitment of qualified people, and in business accounting. The fundamental way to solve these problems lies in the acceleration and

deepening of the economic structural reform. As the substitution of a new structure for the old one takes time, at present we may consider adopting some feasible transient measures. For example, an investment service organ can be widely set up in the regions where foreign-invested enterprises are fairly concentrated to serve a bridging role or as an agent in helping, through many channels and forms, foreign-invested enterprises to solve their problems in getting raw and semifinished materials, parts produced on a cooperative basis, and support facilities, in fund circulation and foreign exchange adjustments, and in the marketing of their products; and enterprises should be allowed to raise funds using many forms, such as issuance of bonds and stocks and to participate in the foreign exchange regulating activities.

—Speed up the reform of the political structure and combat bureaucratism. The current system of management of foreign-invested enterprises is plagued with overlapping, multi-headed management, and excessive control by some "mothers-in-law." Moreover, having succumbed to bureaucratism in a serious way, some organizations perform their duties poorly. All this has very often resulted in lengthy delays in the negotiation, agreement signing, and examination and approval of some projects and a lack of full guarantee for the decisionmaking powers in operations and production of some enterprises which have started operation. Therefore, reforming the system of management of foreign-invested enterprises, combating bureaucratism, and increasing working efficiency in the course of reforming the political structure should become an important task of improving China's investment environment.

—Perfect legislation and enhance the sense of the legal system. In the last few years, China has done a lot of work in economic legislation and enacted and promulgated a series of laws and regulations designed to absorb foreign capital. However, to date, some foreign-related economic laws, such as the "Law on Sino-Foreign Cooperative Enterprises," have not yet been promulgated and although some laws and regulations, such as the "Law on Joint Ventures Using Chinese and Foreign Investment" and the "Rules and Regulation for its Implementation" have been promulgated, they need some revisions and supplements as objective conditions have greatly changed. In addition, the phenomena can still be found of foreign-related work cadres lacking a strong sense of the legal system so that laws are not observed and not enforced strictly. This being the case, in the days ahead, in continuing to improve economic legislation and fill some vacancies in foreign-related economic laws and regulations, we should strengthen education in the legal system among cadres doing foreign-related work so that they will act in strict accordance with the law and uphold the inviolability of the law.

Trade Journal Calls For A Better Technology Import Strategy

40060107 Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
No 4, 1987

[Article by Wang Suzhi]

[Summary] The most serious problem with China's current policy of delegating authority for importing

technology to lower levels is lack of coordination between departmental and local levels, leading to much duplication of imports. State economic departments, having relinquished some of their former authority, are unable to maintain effective macroeconomic control over technology imports. Excessive importation of certain production lines, for example, has resulted in economic inefficiency. If these production lines were to operate to their fullest capacity, total output would be several times the capacity of China's existing market.

Another problem is the tendency to import mechanical equipment without simultaneously importing the manufacturing technology necessary to reproduce this equipment. This has proven extremely cost-ineffective, in addition to failing to enhance China's own production capabilities, since it has meant that enterprises have either become dependent on further imports of spare parts or have had to re-import new equipment every few years.

Another problem is the lack of comprehensive planning and effective measures to assimilate new technology. At fault here is the current policy of placing the burden for importing technology on individual enterprises, which lack both the incentive and the S&T capabilities and funds necessary for conducting adequate R&D to determine what they should import. Many enterprises are reluctant to invest in R&D for fear of the impact it would have on current production and short-term interests. This burden on individual enterprises also leads to the counterproductive practice of secretiveness among enterprises as they seek to monopolize their new technology in order to recover their costs.

There are five measures that would help solve these problems: 1) The most urgently needed is the creation of a "State Commission for Coordinating Technology Imports" to provide consolidated leadership, uniform legislation, and strong macroeconomic control over all technology importing activities. The current system of importing has failed since too many departmental-level bureaus, all lacking unified direction and acting independently, have been created to deal with different aspects of the problem. This loss of control at the departmental level is to blame for the tensions that have arisen both inter-departmentally and between the departments and local levels. These tensions are largely responsible for the lack of communication that causes duplicative imports. To guarantee better coordination, the new commission should set up an information center to gather, store, and publish information on all technology importing activities. It also should set up a research center to serve as its "brain trust". 2) There should be clearer guidance on which technologies are being encouraged, restricted, or forbidden. A guidebook, compiled through consultations with experts should be published to convey current importing priorities for enterprises. Financial levers should be used to shape import patterns, and the following three standards should be used to govern importing strategy: —seeking only advanced technology; —seeking

technology appropriate to China's current circumstances; and —preventing the current penchant for importing technology from abroad when it is already available domestically. 3) Better cooperation should be achieved between the various sectors involved in importing technology by their joint participation in a semi-official, authoritative, non-profit "Technology Import Advisory Committee" to oversee all import applications. 4) Tax incentives should be introduced to encourage a higher proportion of absorbable technology imports. There is also a need for better communication between those involved in scientific research and in production. 5) Finally, China should no longer look to Japan as the major source of technology, due to the expanding Sino-Japanese trade deficit and Japan's reluctance to transfer technology. Instead, China should look to Western and Northern Europe and the Soviet Union as alternate sources. Greater technological cooperation between China and the industrialized European countries may lead the United States and Japan to be less restrictive in their technology transfer policies towards China.

Guangdong To Adopt More Flexible Policies

*HK230752 Hong Kong WEN WEI PO in
Chinese 15 Jan 88 p 3*

[Report by WEN WEI PO reporting group: "Guangdong To Adopt Still More Flexible Policies in Ten Aspects"]

[Text] Guangzhou, 14 Jan (WEN WEI PO)—The "group to report affairs to the central authorities" headed by Lin Ruo, secretary of the Guangdong provincial CPC committee, and Ye Xuanping, provincial governor, returned to Guangzhou this evening. It has been learned that various central departments concerned have agreed that Guangdong Province will be an area for experiment in advanced reform, which will adopt more flexible policies in 10 aspects including foreign trade, foreign exchange, finance, price, and wage.

So far as we have learned, the 10 policies the Guangdong "group to report affairs to the central authorities" brought to Beijing this time mainly concern the fields of foreign trade, the retaining of foreign exchange earned, the right to approve the use of foreign funds, price reform, credit, and wage reform. The main contents are as follows:

In foreign trade, the central departments concerned will only assign the tasks "as a whole" to Guangdong Province and will not intervene in the ways and means Guangdong will adopt to fulfill the tasks.

In the retention of foreign exchange, 70 percent of the foreign exchange earned from exporting commodities under state planning should be turned over to the state, while the rest 30 percent will be retained by the province. As to the foreign exchange earned from exporting other commodities, only 20 percent will be turned over to the state, and the rest will be retained by the province.

In examining and approving the use of foreign funds, Guangdong Province has the right to examine and approve any projects with a foreign investment under \$100 million.

In financial affairs, Guangdong Province will continue to use the contract method. After fulfilling the tasks assigned by the central authorities by contract, all the surplus income belongs to the province (other provinces can only retain a certain proportion of the surplus income). But beginning this year, the contracting quota will be increased by 200 million yuan each year. It will then be readjusted after 1989.

In matters concerning extending credit, Guangdong is allowed to maintain the size of credit as large as 1987 while all other provinces and municipalities have been asked to reduce this size.

In commodity price, Guangdong Province can adopt various methods, such as the completely or partly negotiated price systems and the system of combining negotiated prices with necessary subsidies, and can deal with the prices of certain important commodities in a more flexible way.

In wage reform, restrictions have been lifted and the enterprises will have the right to decide on their own wage scales in light of their real situation.

The "group to report affairs to the central authorities" left for Beijing on 11 January. Its members also include provincial vice governors Yang Deyuan and Yu Fei and responsible persons of main provincial departments.

LABOR

Wage Systems In Enterprises, Organs

*HK290657 Beijing GUANGMING RIBAO in
Chinese 2 Jan 88 p 3*

[Article by Xu Songtai [1776 7313 7118] and He Xian [0149 2009]: "Wages in Enterprises Must Be Separated from Those in Organs and Institutions"]

[Text]

Separation of Enterprise Wages From Those in Organs and Institutions Is an Objective Necessity for Commodity Economy Development

China's wage system was formed in the 1950's and is of a centralized and unified nature. Being centralized means that the wage management power is in the hands of the state; being unified means that the state monopolizes wage adjustments and promotions in all units including enterprises, organs, and institutions. This system played a positive role during its initial period but began to reveal its shortcomings following development of the economy. In particular, state monopoly over wage management in enterprises, organs, and institutions has

severed the relationship between an enterprise's wages and its economic results, and has added to the heavy burden of state finances. This wage system is based on the product economy, which is characterized by state monopoly over purchase, marketing, income, and expenditure. To develop the planned commodity economy this system must be reformed.

In the commodity economy, enterprises, organs, and institutions have different characteristics. First, enterprises are commodity production units whereas state organs and institutions are nonproductive units. Second, the distribution of national income for wages in enterprises is different from that for wages in state organs and institutions. From its formation to application, national income undergoes two processes of distribution. The distribution of the net income derived from the sales of an enterprise's products by deducting the production costs is the first distribution of national income. The distribution of some of an enterprise's income by taxation or other means is the redistribution of national income. Wages in enterprises take shape during the first distribution of national income, whereas wages in organs and institutions take shape during the redistribution of national income. Third, the sources of wages are different. No matter how wages in enterprises take shape they originate from the value their employees create in the course of work, whereas wages in organs and institutions come from state revenues. Therefore, wages in enterprises are directly connected with the enterprise's income, whereas wages in organs and institutions are directly connected with state revenues.

The different positions and characteristics of enterprises, organs, and institutions in the commodity economy necessitate the application of different methods and forms to the distribution of wages. In other words, wages in enterprises should be separated from those in organs and institutions. This separation has two meanings:

First, enterprises, organs, and institutions should exercise different wage systems. As working personnel in organs and institutions are not commodity producers, their amount of work is expressed by the posts they hold. Different posts embody different responsibilities and amounts of work. Therefore it would be appropriate to introduce a wage system based on posts into organs and institutions. As an enterprise's employees are directly engaged in commodity production, the best method to give expression to the principle of distribution according to work is to link their wages to their work results and to their enterprise's economic. Apart from this it is also necessary to introduce independent distribution according to the different characteristics of enterprises.

Second, enterprises, organs, and institutions should exercise different methods of wage increases. As the wages of an enterprise's employees come from the enterprise's income, their wages should increase when the enterprise's income increases. Because the wages of working

personnel in organs and institutions originate from state revenues, their pay raises should be based on the country's economic growth and increases in state revenues. For this reason wages in enterprises should be linked to the enterprise's economic results and change when the enterprise's operational results change, whereas wage increases in organs and institutions should be determined by the country's economic growth and by reference to the average wage increase rate in enterprises.

Separation of Enterprise Wages from Those in Organs and Institutions Is an Important Measure in China's Economic Structural Reform

The separation of enterprise wages from those in organs and institutions is a major wage system reform beneficial to the expansion of enterprise autonomy, to the rational distribution of the labor force, to the formation of a labor service market, and to straightening out economic relationships in various fields.

1. This separation is an important component of enterprise operational mechanism reform. Urban economic structural reform over the last few years has focused on expanding enterprises' autonomy and establishing their position as commodity producers. The power to distribute income is an important component of an enterprise's operational autonomy. When wages in enterprises, organs, and institutions are under direct state control, expanding autonomy in other fields will not help produce good results. As a matter of fact, every time an enterprise's autonomy is expanded, reform measures are introduced for the distribution of the income of enterprise's employees. For example, when the system of fund and profit retention began to be implemented in enterprises, the bonus system was introduced; when the substitution of tax payments for profit delivery began to come into effect, the limits for and taxing of bonuses were abolished, allowing bonuses to change with the improvement or worsening of economic results. But this is far from being able to meet the need for enterprises becoming commodity producers because the larger portion of income—basic pay in enterprises—is still under direct state control. It also makes it difficult for enterprises to bring their employees' initiative into play. When enterprise wages are separated from those in organs and institutions they will be linked to the enterprise's economic results, and bonuses and basic pay will no longer be directly decided by the state. Within the scope of the total wages that increase with the economic growth, enterprises will have the right to select methods of distribution according to their employees' work contribution. This will enable enterprises to have the power to arrange production, sales, distribution, and investments and to gradually become independent commodity producers.

2. This separation is an important condition for forming a labor service market. An important task in economic structural reform during the Seventh 5-Year Plan is to gradually form a perfect market system embodying a

labor service market. A labor service market is a basis for rationally arranging the labor force under commodity economic conditions. With the establishment of the labor service market, the labor force flow will be determined to a large extent by the level of wages, and wages will play an important role in guiding this flow. Under the old system the labor force could not flow freely because the state exercised uniform management over employment and wages. Thus the level of wages did not affect the flow of the labor force very much, nor did it impact on the formation of the employment structure. However, the situation will change with the opening of the labor service market, in which wages will play an important role in guiding and adjusting labor force flow. If the state continues to exercise uniform management over wages in enterprises, organs, and institutions even after establishment of the labor service market, it will be very difficult to form rational employment and industrial structures. Only when wages in enterprises accurately reflect the enterprise's economic results will the labor force flow under correct guidance and will labor resources be rationally distributed.

3. This separation is an important step for straightening out wage distribution relationships. For a long period of time tight control has been exercised over wages. As a result, wages have remained unadjusted and wage distribution relationships have been distorted. In order to solve this problem it is necessary to combine adjustment with relaxation. On the one hand the state should carry out wage adjustments in a planned and orderly way so as to rationalize wage distribution relationships. On the other it should delegate wage distribution power to enterprises and allow them to form rational wage distribution relationships according to the contribution and role of their employees in production and operation. Tens of thousands of enterprises are under ownership by the whole people, and their conditions are all different. It is impossible for the state to straighten out wage relationships in all these enterprises. "Separation" will enable these enterprises to increase wages according to their economic results and to rationally arrange their employees' income according to the needs for production and their work contribution. This will provide favorable conditions for straightening out wage relationships in enterprises. In addition, the reduction of direct state management of wages will lighten the state's burden and provide conditions for properly handling wage relationships in organs and institutions. This will normalize pay raises and promotions among working personnel. In a word, when enterprises, organs, and institutions separate their wages, they can set up different wage distribution systems according to their characteristics. In this way, wage distribution will really play a positive role in bringing the employees' initiative into play and in promoting production.

Conditions and Measures for Separating Enterprise Wages From Those in Organs and Institutions

The separation of enterprise wages from those in organs and institutions is a major reform of China's wage management system. It indicates that highly centralized

direct state management of wages by administrative means is shifting to indirect management by economic and legal means. However, the separation of wages in enterprises from those in organs and institutions is a very complicated and sensitive matter. Efforts should be made to provide favorable conditions for the gradual separation of wages in these units.

First, enterprises should become independent economic entities assuming sole responsibility for their profits and losses. Monopoly over income and spending is the basis for the state to use administrative means to exercise direct management over wages in enterprises, whereas allowing enterprises to engage in independent operation and assume sole responsibility for their profits and losses is the basis for the state to use economic and legal means to exercise indirect management over wages in enterprises. Therefore in order to change state monopoly over wages in enterprises and separate wages in enterprises from those in organs and institutions, enterprises should have the ability to bear the burden of their employees' wages, to carry out independent operation, and to assume sole responsibility for their profits and losses.

Second, the total wages of enterprises should be linked to their economic results. Due to restrictions of objective conditions it is impossible for enterprises to immediately carry out independent distribution, but to separate their wages from those in organs and institutions they should link their wages to the quality of their economic results. For now, the proper method is to link the total wages to economic results. Linking the total wages to economic results will encourage an enterprise's employees to work harder. As a result they will benefit from this practice. This will facilitate the separation of enterprise wages from those in organs and institutions. In other words, to separate enterprise wages from those in organs and institutions it is necessary to link the total wages to economic results.

Third, different wage systems should be formed and put into effect. With wage reform in 1985 organs and institutions began to implement a structural wage system with wages based on posts as the main component. Enterprises should also select their own distribution systems suitable for their operational characteristics, provided that they keep these distribution systems within the scope of their total wages. For example, they can continue to exercise the eight-grade, piecework, quota, and composite wage systems. Only when enterprises find a suitable wage system can they distribute their wages rationally and achieve the aim of separating their wages from those in organs and institutions.

In the long run it is necessary to reform the method of calculating retirement funds for enterprise's employees. At present the retirement funds for enterprise's employees are calculated and issued according to the basic wages under uniform state management. The state will no longer exercise uniform management over wages in enterprises after separation of their wages from those in

organs and constitutions. In such cases the method of calculating and issuing retirement funds should be changed correspondingly. A systematic study is necessary for such a change, and it is advisable to introduce a transitional method for the time being. That is, the actual income of enterprise's employees can be determined according to the operational results of enterprises, with "wage files" as the standards for calculating and issuing retirement funds.

It should be pointed out that the separation of wages in enterprises from those in organs and institutions has been a guiding principle for wage system reform over the last few years. The wage system reform in organs and institutions which started in 1985, and the practice of linking total wages to economic results in one-third of large- and medium-size enterprises throughout the country over the last few years, actually constitute an important step in separating enterprise wages from those in organs and institutions. If the practice of linking total wages to economic results can be popularized to most of the enterprises in the country within 2 years, we should lose no time in taking the "separation" step. That is to say different methods for pay raises should be introduced to enterprise, organs, and institutions, with the aim of forming a pattern of separation. To do this, a great deal of work is necessary. For example it is necessary to reform the wage fund management system, to exercise graded management, to improve the method of linking total wages to economic results, and to get rid of all irrational factors so that enterprises can engage in competition on an equal basis. Moreover, ideological concepts should be changed so as to provide as much support as possible for reforms.

AGRICULTURE

Less Energy Dependent Farming Proposed

Petroleum Intensive Agricultural Ecosystem
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[JOURNAL OF ECOLOGY] in Chinese
Vol 6, No 3, June 87 pp 1-5

[Article by Wen Dazhong [5113 1129 0022], Institute of Forestry and Soil Science, Chinese Academy of Sciences: "China's Petroleum Intensive Agricultural Ecosystem and Its Improvement," Part I]

[Text] I. Analysis of China's Petroleum Intensive Agricultural Ecosystem

The term "petroleum intensive" agricultural ecosystem is used in this article to mean the tendency to rely increasingly on mineral energy (particularly petroleum energy) as a basic technique and product for controlling the agricultural ecosystem.

1. Changes in the Development of China's Agricultural Ecosystem and Inputting of Industrial Energy

Up until the early 1950's, China's agricultural ecosystem was basically a self-sufficient or self-sustaining traditional agricultural ecosystem lacking support from modern industry. Maintenance of such an agricultural ecosystem relied primarily on solar energy and the flow within the system of biological energy produced by systematic transformation of solar energy. It was substantially devoid of inputs into the system of industrial energy or mineral energy (except for an extremely small amount of industrial energy used for the manufacture of simple work tools). The biological agricultural products and byproducts produced within the agricultural ecosystem were likewise consumed and expended within the system. The balance of nutrients in the farmland, which was the backbone of the agricultural ecosystem, was maintained by biological processes within the system and the recycling of organic materials. The productivity of this kind of self-sufficient or self-sustaining agricultural ecosystem was usually fairly low.

China's agriculture has developed greatly during the past more than 30 years, the level of agricultural productivity rising, in particular. The country's gross output of grain rose from the 1.13×10^8 of 1949 to the 3.87×10^8 of 1983 for a 3.4-fold increase. Grain output per unit of area sown also rose from the 1,028 kg per hectare of 1949 to the 3,398 kg per hectare of 1983 for a 3.3-fold increase. United States grain yields per unit of area sown for 1982 and 1983 also happened to a 3,398 kg per hectare. This means that China's grain yields reached the level of the country that is generally considered to be the classic example of a petroleum intensive agriculture, namely the United States. What changes in China's agricultural ecosystem have accompanied the rapid increase in agricultural output? First of all, high yield crops and high yield strains have been universally selected for use in agricultural production, and the advantages in increased yields that are possible from the use of these new yield strains have been realized through the application of plentiful nutrients and the effective control of diseases, insect pests, and weeds. In addition, an increase in the area of crops that take nutrients from the soil, and a decrease in the area of crops that put nutrients back into the soil has destroyed the self-sustaining low level nutrient balance that formerly existed. Consequently, the large scale application of chemical fertilizer has become a mainstay of grain production. The high correlation between the year-by-year increase in the amount of chemical fertilizer used and grain output since the early 1950's testifies to this. The use of new strains of high yield hybrid crops and changes to the traditional crop rotation system and farming system weakened the self-regulatory ability and the stability of the agricultural ecosystem itself. Effective control of diseases, insect pests, and weeds to insure high yields inevitably meant the use of agricultural pesticides and herbicides. In addition, in order to improve production conditions and labor conditions in agriculture, inputs into the system of machinery, petroleum and electric power increased rapidly. China's grain output has basically increased steadily year-by-year, and these industrial energy inputs

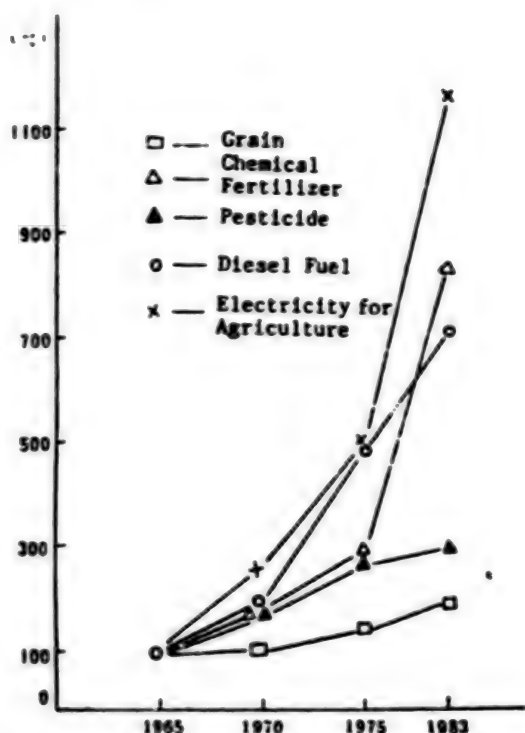


Figure 1. Comparison Between Increase in China's Gross Output of Grain and Consumption of Chemical Fertilizer, Pesticides, and of Diesel Fuel and Electricity Used in Agriculture

into the agricultural ecosystem have also steadily increased at an even faster speed. China's gross output of grain doubled between 1965 and 1983, but the input of chemical fertilizer into the agricultural ecosystem increased 8.5 fold. The amount of pesticides used tripled; the amount of diesel fuel used in agriculture increased sevenfold, and the amount of electricity increased 12 fold (see Figure 1).

2. Current Input of Industrial Energy into the Country's Agricultural Ecosystem

In view of the basic meaning of the term "petroleum intensive agriculture," analysis of industrial energy inputs consisting primarily of petroleum energy into the country's agricultural ecosystem is the most basic method for determining whether China's agriculture is a petroleum intensive agriculture. The author estimated the industrial energy input into the grain crop system, which is the most fundamental part of China's agricultural ecosystem, and then made a comparison with the situation in the United States. (Table 1).

Inputs of industrial energy during the entire process from sowing to harvesting and threshing may be divided into two major categories. The first category covers direct industrial energy (such as petroleum and electricity); the second category covers indirect industrial energy

(such as machinery, chemical fertilizer, and agricultural pesticides). Calculations based on comparable energy values (i.e., figured in terms of conversion standards used in the United States to derive energy equivalents for all kinds of industrial goods and materials), total industrial energy input per hectare of sown area for the growing of grain crops in China in 1982 (including both direct industrial energy and indirect industrial energy) was $1.073 \times 10^{20} \text{J}$, which equaled 250 kgs of petroleum.

This was 84 percent of the amount of industrial energy per hectare of sown crop land used in the United States in 1975. Consumption of industrial energy to produce grain stated in terms of energy expenditure per unit of production shows the consumption of 0.239kJ of industrial energy per 1 kJ of grain produced in China in 1982. This was 90 percent of the 1975 consumption figure for the United States. As a part of the input of industrial energy into grain production, the amount of nitrogenous fertilizer used per hectare of sown farmland in China in 1982 (74.5 kg of pure nitrogen) was 22 percent higher than for the United States in 1975. The average amount of pesticides and herbicides used was almost two times again the amount used in the United States (See Table 1).

It is especially noteworthy that the energy use rate regarding our country's industrial production (including related industrial production that supports agriculture) is considerably lower as compared to several advanced nations. This is the analytical method to determine the actual energy consumption capacity in the manufacturing process of various industrial products in the agricultural ecosystem. Moreover, on this foundation, the actual energy converted value of various industrial products to support agriculture can be determined, and the actual mineral energy consumption value of the 1982 average grain crop per hectare sown can be calculated. (See Table 1). The actual total amount of mineral energy consumed per hectare of sown crop land was $1.488 \times 10^{10} \text{J/ha}$, 17 percent higher than consumption in the United States during 1975. Figured in terms of the actual consumption of industrial energy per kJ of grain, it is 24 percent higher than for the United States in 1975. (See Table 1).

To recapitulate the foregoing, in terms of both the level of productivity and the level of consumption of industrial energy, to a certain extent the situation in China's agricultural ecosystem approaches or exceeds that of the classic "petroleum intensive" agricultural ecosystem of the United States. If one says that the United States has a petroleum intensive agriculture, one also has to acknowledge that China's agriculture is also essentially petroleum intensive. Particularly inasmuch as China's current utilization rate for mineral energy is fairly low, the level of actual consumption of industrial energy for agricultural production is greater than in the United States; thus, China has a more "petroleum intensive agriculture" than the United States.

Table 1. Comparison Between China and the United States in Industrial Energy Inputs
Per Sown Hectare of Cereal Grain Crops

Item	China (1982)			U.S.A. (1975) ⁸
	Quantity/ha [hectare]	kJ/ha 1 (Calculated with comparable energy values)	kJ/ha 2 (Calculated with actual energy values)	kJ/ha
Industrial Input				
Farm Machines & Tools	9.75kg ³	823,403	1,510,305	1,793,711
Diesel Fuel	41.05L ⁴	1,961,798	1,961,798	2,752,726
Gasoline and Lubri- cating Oil	3.56L	150,682	150,682	71,954
Nitrate Fertilizer (figured in terms of pure nitrogen)	74.47kg	3,742,173	6,595,580	3,074,933
Phosphate (figured in terms of P ₂ O ₅)	25.00kg	314,025	621,422	492,391
Potash (figured in terms of K ₂ O)	5.12kg	34,296	34,296	357,067
Limestone	-	-	-	219,466
Irrigation	- ⁵	-	-	1,135,866
Pesticides and Herbi- cides (net amount)	5.46kg ⁶	2,135,450	2,135,450	1,206,635
Drying	-	-	-	620,853
Electricity	126.06kwh ⁷	1,511,130	1,803,010	851,619
Transportation of supplies used in agriculture	54.21kg	58,237	69,910	146,558
Total Industrial Input		10,731,194	14,882,453	12,723,779
Grain Output		44,912,107	44,912,107	47,586,494
Output		0.239	0.331	0.267
Grain Energy Output/ Industrial Energy Input		4.19	3.02	3.74

Note: (1) By comparable energy values is meant the conversion values commonly used by the United States and others for calculating the input of industrial energy into the agricultural ecosystem. (For details, see Wen Dazhong, 1985);

(2) Estimate of the actual energy value of materials currently used in Chinese agriculture based on relevant data for China's current energy consumption and energy utilization rates for major industrial products, with reference to the calculation methods used to derive values for various materials used for agricultural purposes in the United States. (Please see Wen Dazhong, 1986)

(3) The number of major machines and tools used in farm operations, and depreciation for the period of effective use of all kinds of machines and tools were used as the basis for calculating a weight equivalent to consumption for the year, thereby deriving a base figure average for the farmland area sown nationally.

(4) Based on total amount of diesel fuel used for farming purposes nationally minus the amount used for forestry, animal husbandry, commune and brigade enterprises, and for rural tractor highway transportation, the country's total sown farmland area then being used as a base figure area to derive the quantity of diesel fuel used per hectare.

(5) Energy used for irrigation has already been included in farm machinery, petroleum and electricity energy.

(6) Based on actual amount of consumption for the year, using an average 50 percent purity value.

(7) Use of electricity for crop production includes electricity used for drainage and irrigation, and for threshing. Electricity used for drainage and irrigation amounts to approximately 40 percent of total rural electricity use. The amount of electricity used for threshing is figured at approximately one-half of the amount of electricity used for the processing of agricultural products.

(8) Based on the input of industrial energy used for major grain crops in the United States in 1975 as reported by Pimentel and Pimentel (1979), as well as on the area sown to major grain crops in the United States for that year using weighted averages.

3. Essential Characteristics of Inputs of Industrial Energy Into China's Agricultural Ecosystem

a. The make-up of inputs of industrial energy has as its goal an increase in yields per unit of area.

Table 1 shows that direct industrial energy (diesel fuel, gasoline, and electricity) amounts to one-third the total input of comparable industrial energy per unit of sown area in China, indirect industrial energy (machines, chemical fertilizer, and pesticides) accounting for two-thirds. Nitrogenous chemical fertilizer alone accounts for 35 percent of the 58 percent total input of chemical fertilizer and pesticides used directly to increase crop yields. Such a make-up of industrial energy input demonstrates that increase in yields per unit of area is the main goal in the use of industrial energy.

b. A Petroleum Intensive Agriculture With a Very Low Labor Productivity Rate

The most striking difference between the petroleum intensive agriculture of China and the petroleum intensive agriculture of the United States lies in the agricultural labor productivity rate. The United States uses an average of only 10 man hours per hectare of farmland from sowing to harvesting, while China uses at least 1,000 man hours in addition to a substantial amount of animal power. This means that America's agricultural labor productivity rate is approximately 100 times again that of China. Among the industrial energy inputs into the growing of crops in the United States, energy used in machine operations (including both direct industrial energy in the form of petroleum and indirect energy in the form of agricultural machines) amounts to one-third of the total industrial energy input. In China, however, the comparable industrial energy input for machine operations per hectare of farmland sown to grain crops amounts to 27 percent of the total industrial energy input. (See Table 1). Obviously such a difference is caused not only by differences in the input of industrial energy, but results, more importantly, from numerous social, economic and technical factors.

c. Differences in Industrial Energy Inputs Into the Farming System in Different Parts of the Country

The above situation with regard to industrial energy inputs outlines the overall situation prevailing in China's farming system. But there is a very great variation in both natural and socio-economic conditions in individual parts of the country; consequently, there is also a very great difference in inputs of industrial energy into the farming system. This is prominently manifested both in differences in inputs of industrial energy per sown hectare, and in differences in industrial energy utilization rates.

Using calculation methods similar to those described above, the writer figured the actual input of industrial energy per hectare of sown land in each province and

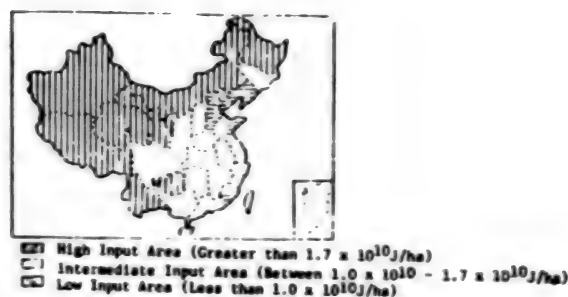
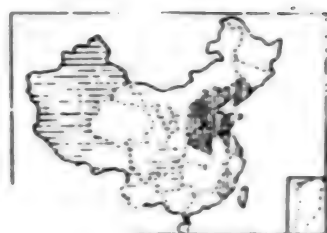


Figure 2. Map showing Area-by-Area Industrial Energy Inputs to the Chinese Grain Crop System

region of the country, and divided up the amount of industrial energy input in terms of high, intermediate, or low. Areas in which industrial energy input was greater than 1.7×10^{10} J/ha were designated high input areas; areas in which industrial energy input was between 1.0×10^{10} J/ha and 1.7×10^{10} J/ha were designated intermediate input areas; and areas with an input of less than 1.0×10^{10} J/ha were designated low input areas. He used these designations to draw a map showing industrial energy input areas for the grain crop system throughout the country. This map, which appears in Figure 2, provides a natural division of the country into three substantially contiguous areas on the basis of the input of industrial energy per hectare of sown land for each province and region. High input coastal areas include Liaoning, Hebei, Shandong, Jiangsu, Zhejiang and Fujian provinces, plus suburban Beijing, Tianjin and Shanghai. In the high input coastal areas, except for the suburban areas of Shanghai and Beijing in which the input of industrial energy is highest (averaging 4.17×10^{10} J/ha in Shanghai and 3.16×10^{10} J/ha in Beijing), the province having the highest input was Jiangsu, where it was 2.54×10^{10} J/ha. Medium input areas included Henan, Anhui, Hubei, Hunan, Guangdong, Guangxi, Sichuan, Jilin, Shanxi, Shaanxi, and Jiangxi provinces. Low input border regions included Heilongjiang, Nei Monggol, Gansu, Qinghai, Ningxia, Xinjiang, Yunnan, Guizhou, and Xizang, the lowest input being in the Xizang Autonomous Region where the input of industrial energy per hectare of cultivated land was only 4.6×10^9 J/ha. This was only one-ninth the input in suburban Shanghai, and one-fifth the input in Jiangsu Province.

The amount of industrial energy input per unit of cultivated land area shows the extent to which industry supports agriculture. However, it does not reflect the efficiency of inputs of industrial energy. If the efficiency of industrial energy inputs into grain crop production for all provinces and regions of the country (the actual amount of grain output per unit of industrial energy input) were charted, and the efficiency of each province and region rated high, intermediate, or low, those provinces and regions with an energy efficiency greater than 4.5 being rated high efficiency areas, those with an energy efficiency of between 3.0 and 4.5 being rated



---High Efficiency Area (Greater than 4.5)
---Intermediate Efficiency Area (Between 3.0 and 4.5)
---Low Efficiency Area (Less than 3.0)

Figure 3. Map Showing Area by Area Efficiency of Industrial Energy Inputs Into the Chinese Grain Crop System

intermediate efficiency areas, and those below 3.0 being rated low efficiency areas, the whole country could be generally divided into three regions from the coast inward. These three regions would be as follows: the high efficiency border regions; the intermediate efficiency middle region, and the low efficiency coastal area (see Figure 3). The regional situation turns out to be just the opposite of the regional situation for the amount of industrial energy input. However, there are differences among the provinces and regions included in each of the regions. The high efficiency border region includes Xizang, Yunna, Guizhou, Sichuan, and Xinjiang, the area of highest efficiency being the Xizang Autonomous Region with a 7.11 efficiency rating. The intermediate efficiency region includes Heilongjiang, Jilin, Nei Mong-gol, Ningxia, Gansu, Qinghai, Jiangxi, Hunan, Hubei, Shaanxi, Anhui, Zhejiang, Guangdong, and Guangxi. The low efficiency region includes Liaoning, Hebei, Shandong, Jiangsu, Fujian, Henan, and Shanxi provinces as well as suburban areas of Beijing, Tianjin and Shanghai, the lowest being suburban Beijing with a 1.60 rating, and Hebei Province with a 1.88 rating.

It is clear from the foregoing pattern of distribution that except in a few cases, usually it is the area having fairly good natural conditions and that are rather well developed economically that make the greater inputs of industrial energy to the farming system, but that have a relative low energy efficiency. However, it is in border regions where natural conditions are relatively poor and that are not economically developed that the input of industrial energy into the farming system is relatively small, but where efficiency is relatively high. Clearly, results would be better from increasing the amount of industrial energy inputs into the agricultural ecosystem of border regions than from continuing to increase the amount of inputs into coastal regions. This will be an important matter in the country's macroeconomic agricultural development strategy.

d. Irreplaceable Energy Consumption; by China's Farm Crop System

Total expenditure of unreplaceable energy in China for 1982 was 6.1637×10^7 t of standard coal, with coal accounting for 73.92 percent, petroleum 18.69 percent,

natural gas 2.56 percent, and hydroelectric power 4.85 percent. Unreplaceable energy directly used in agriculture amounted to approximately 1.6×10^7 t of standard coal or 2.5 percent of total consumption of unreplaceable energy. If the foregoing analysis is used as a basis for considering the direct and indirect consumption of unreplaceable energy by the agricultural ecosystem, China's consumption of unreplaceable energy for grain production alone amounts to 5.76×10^7 t of standard coal. This is 9.3 percent of the whole country's total consumption of unreplaceable energy, and equal to half of the country's total petroleum consumption for the year. The whole farm crop system's consumption of unreplaceable energy totaled 7.35×10^7 t of standard coal, or 12 percent of the whole country's total consumption of unreplaceable petroleum, the equivalent of two-thirds the country's total consumption of petroleum for the year. Obviously, this is no small figure.

By the end of this century, the gross output value of China's national economy will quadruple, but production of unreplaceable energy will only double. Consequently, for a fairly long period of time, the country's industrial energy will be in fairly short supply. Efforts to conserve industrial energy will be a long-term strategic effort in China. Efforts to raise the efficiency of industrial energy inputs into the agricultural ecosystem should also be regarded as an important integral part of the country's overall conservation strategy. Improvement of the country's current petroleum intensive agriculture and development of the country's modern agriculture should become a fundamental task on the front line of China's agriculture.

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(Draft Accepted 16 January 1987)

(Postscript)

The 5 January 1987 issue of KEJI RIBAO [SCIENCE AND TECHNOLOGY NEWS] printed remarks obtained in an interview of the author of this article by a correspondent from that newspaper as follows: "China entered the petroleum intensive agricultural age at the end of the 1970's. Now particularly serious attention should be given to research and development of a series

of ecological agricultural techniques for using the smallest possible amounts of chemical fertilizers and pesticides in order to change the high energy consumption situation in agriculture." This magazine will subsequently publish two fairly detailed articles by the author that study and explore the foregoing problems. It is hoped that they will stir concern and lead to discussion.

Ecological Agrotechniques Development

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[JOURNAL OF ECOLOGY] in Chinese
Vol 6, No 4, Aug 87 pp 4-8

[Article by Wen Dazhong [5113 1129 0022], Institute of Forestry and Soil Science, Chinese Academy of Sciences: "China's Petroleum Intensive Agricultural Ecosystem and Its Improvement," Part II]

[Text] II. Development of Ecological Agrotechniques and Improvement of China's Petroleum Intensive Agriculture

The first part of this study analyzed the issue of China's "petroleum intensive" agricultural ecosystem. This article explores improvement of China's petroleum intensive agriculture.

I. Two Attitudes For Dealing With Petroleum Intensive Agriculture

The half century old petroleum intensive agriculture of advanced countries in Europe and America that has developed from mineral energy has been enormously successful. This success has been prominently manifested in: (1) Marked increase in outputs of agricultural products. Corn yields in the United States today are three times again as large as in 1945, and wheat yields have doubled in 40 years. (2) An extremely great rise has taken place in the agricultural productivity rate. Corn production in the United States from sowing to harvesting requires only 12 man hours of labor per hectare, or 1 percent of the man hours required by traditional methods of producing corn. (Wen Dazhong, 1986).

However, accompanying this development of petroleum intensive agriculture has been a series of resources, environmental and ecological problems that have been prominently manifested in the following ways: (1) Increasingly serious erosion of farmland. (2) Ever larger scale use of chemical fertilizer and pesticides. (3) Increasingly serious damage to the environment from agricultural production. (4) Rise in the consumption of petroleum energy. (Please see Wen Dazhong, 1985).

More than 30 years of development of a Chinese style petroleum intensive agriculture has made major contributions in solving the problem of feeding 1 billion Chinese. With 8 percent of the world's cultivated land and 15 percent of the grain crop growing area, it has produced 21 percent of the world's total output of grain, and supported one-fourth of the world's population.

Though there are very great differences between Chinese style and American style petroleum intensive agriculture, the resources, environmental, and ecological problems that this kind of agriculture occasions are the same. Inasmuch as chemical fertilizer and pesticides (including herbicides) are the industrial energy inputs that have the greatest affect on resources, the environment and the ecology, and since the amount of chemical fertilizer and pesticides used in China is far greater than in the United States, the resources, environmental and ecological problems that China's petroleum intensive agriculture presently faces are no fewer than in the United States. Though study of the effects of farmland soil erosion on agricultural resources, damage to the environment resulting from chemical fertilizer and pesticides, and harm to the human body done from eating food that has been grown using them has not been as pervasive in China as studies done in the United States and other developed countries, and though there is a definite difference in the degree to which people in China devote serious attention to this issue; nevertheless, continued efforts to make use of the benefits that petroleum intensive agriculture provides while overcoming some of the problems that petroleum intensive agriculture occasions should be the direction of our efforts.

There are, in a nutshell, two views about the solution to these problems.

One of these views may be termed the "reform" view. It maintains that petroleum intensive agriculture is the main course to be followed for the most part, and that the various problems it occasions can be surmounted; therefore, appropriate actions may be actively taken to overcome and solve the specific problems that arise. The various efforts made by agricultural scientists and practitioners during the past several decades such as the promotion of reduced plowing and no plowing techniques, the use of shelter afforestation and water conservancy or soil improvement measures, the use of agricultural pesticides of high effectiveness and low toxicity, and the development of multiple techniques for the prevention and control of diseases and insect pests in order to improve the agricultural environment, conserve water and soil, reduce pollution from chemical fertilizer and pesticides and reduce consumption of mineral resources, have all been expressions of this idea. These measures have scored remarkable results in practice, with the result that petroleum intensive agriculture has continued and developed. Though these measures and techniques have not been formally termed ecological agrotechniques, many of them do reflect ecological thinking, and the application of certain ecological principles has produced fine ecological results and economic results.

The other view may be termed the "revolutionary" view. It holds that modern petroleum intensive agriculture is an industrial system founded on chemistry, and that this is incompatible with agriculture as a biological system based on biological principles. Thus, not only should a

part of this agriculture be improved, but its development should be looked at in terms of agriculture overall (Lovett, 1980). Inasmuch as many of the problems that petroleum intensive agriculture occasions are closely related to the large scale use of chemical fertilizers and pesticides, yet another kind of agricultural practice appeared in European and American countries not long after petroleum intensive agriculture developed. This agricultural practice either does not use any or does not use large amounts of artificially synthesized chemical fertilizers, pesticides, growth regulators or livestock feed additives. Every effort is made to rely on crop rotation, crop stalks and stems, live-stock dung, pulse crops, green manure, organic waste from outside the farm, and nutrient-containing rocks, as well as the use of biological methods for prevention and control of diseases and insect pests in order to conserve soil fertility and tilth, to provide plant nutrients and to prevent farmland weeds, diseases and insect pests. This form of agricultural practice is usually termed organic agriculture or ecological agriculture. (Wen Dazhong, 1985). Despite the great logic of this view, given the current level of research and practice, this kind of organic or ecological agriculture cannot compete economically with petroleum intensive agriculture.

2. Development of Ecological Agrotechniques

In light of the situation described above, we can see that if the tremendous role of petroleum intensive agriculture in the development of China's agriculture cannot be completely replaced for a substantial period of time, the problems that its development occasions also have to be faced squarely. We should be guided by the aforementioned "reform" view to give serious attention to the feasibility and the practicality of solving problems that exist in petroleum intensive agriculture, and we should also take into consideration the future direction of development, and prospects for these measures. We should realize that the level of development of ecological agriculture or organic agriculture in European and American countries is still unable to match the economic benefits derived from petroleum intensive agriculture. We should also pay attention to the sensibleness of the philosophical thought that underlies ecological agriculture, as well as the fact that biological processes in intensive agricultural production may show enormous potential in future agriculture. We should also recognize the current dependence of agriculture on mineral energy resources represented by petroleum, and we should think about a way out for agriculture when petroleum energy resources dry up in the foreseeable future. Though there is copious biological and ecological data on numerous techniques that derive from the two views for surmounting the problems that exist in petroleum intensive agriculture, in actual practice, they exhibit uneven ecological and economic results. We should assimilate these advantages without exception, fully developing these agricultural techniques (or ecological agrotechniques) that have grown out of desire to attain certain ecological goals but

that also produce marked ecological and economic benefits. We should assimilate and develop them, and use them to improve the current state of petroleum intensive agriculture and to develop the country's future agriculture.

Obviously, the ecological agrotechniques discussed here do not mean the same thing as ecological agriculture or organic agriculture, but rather mean a series of agricultural techniques or technical systems possessed of specific ecological significance. Such ecological agrotechniques or technical systems will become an important integral part of the total technical system of China's prevailing agriculture, and will function to improve China's present petroleum intensive agriculture, providing rich technical practice and experience.

3. The Important Types of Ecological Agrotechniques

The diverse ecological agrotechniques may be classified from various angles. In this article, only a rough classification will be made based on demonstrated technical results and technical characteristics possessed in accordance with ecological principles.

(1) Ecological agrotechniques may be divided into several categories on the basis of ecological principles as follows:

(a) A series of ecological agrotechniques that have developed from effective utilization in time and in space of the rational structure of all biological varieties in the ecosystem, with fullest use made of resources principles (or ecological niche principles). Examples include intercropping, mixed cropping, companion cropping and crop rotation techniques, and agriculture and forestry techniques such as interplanting of forests and farm crops, rubber trees and tea plants...

(b) A series of ecological agrotechniques that have developed out of the coordination of multiple components within the ecosystem and promotion of the principles of symbiosis, as well as the principles of a balance in the interaction among multiple components. Examples include techniques for rearing fish in paddy fields, the interplanting of tung oil trees with grain, the use of bacteria to control insects and the use of some insects to control others.

(c) A series of ecological agrotechniques that have grown out of the transformation of matter and energy at many stages and at many levels in the ecosystem. Examples include fish pond techniques based on the growing of silk-worm mulberry, multiple techniques for the utilization of agricultural byproducts, foremost of which is fermentation to produce methane gas, and another multiple technique for the utilization of agricultural byproducts, namely the growing of edible bacteria...

(2) The technical characteristics of ecological agrotechniques may be generally summarized under the following two headings in terms of ecological agrotechniques:

(a) Techniques for using soils in the agricultural ecosystem such as the building of a rational mix of farming, forestry and animal husbandry, of skills within farming, farming and forestry skills, and silkworm mulberry and fishpond techniques.

(b) Managerial and operating skills for the agricultural ecosystem such as managerial and operating skills for interlinked farming, breeding, and processing industries, skills for the management of farmland fertility, skills in the overall prevention and control of diseases and insect pests.

(3) Ecological agrotechniques may be categorized as follows in terms of the direct goals of ecological agrotechniques and the main technical results gained in application:

(a) Techniques for the conservation of soil and water. (b) Techniques for nurturing soil fertility. (c) Techniques for the prevention and control of diseases, insect pests, and weeds. (d) Techniques for making multiple use of and for processing agricultural byproducts and refuse. (e) Techniques for improvement of the microclimate and for protection of the agricultural environment. (f) Rural energy techniques, etc.

It should be noted that most ecological agrotechniques are usually not singular in terms of the ecological principles on which they are based, their technical characteristics, or the technical results achieved; therefore, it is possible to classify various ecological agrotechniques only in terms of their outstanding features.

Obviously, of the multitude available, only those agricultural techniques that are able to bolster the maintenance and stability of the agricultural ecosystem in actual use (through either the application of single techniques or a combination of several techniques), or the techniques or body of techniques that show definite economic results may be regarded as ecological agrotechniques or a body of techniques.

Some of the many and varied ecological agrotechniques have been widely used in traditional agriculture, while others have developed as modern agriculture as developed. Still others have derived from modern biological techniques and other techniques, some of them demonstrating remarkable results when used alone in modern conventional agriculture. However, the combination and matching, in a rational way, of various ecological agrotechniques as specific circumstances warrant to form an optimum ecological agrotechnical system, and making it

an important integral part of the conventional agricultural technical system will produce better results. Therefore, the building of an optimum ecological agrotechnical system as conditions warrant (natural, social and economic conditions in agriculture) should be a main emphasis in current research and practice.

4. Development of China's Ecological Agrotechniques in Recent Years

The building of China's agricultural ecology has been given redoubled attention in recent years, and numerous classic ecological agrotechnical system models of varying scale that employ ecological agrotechniques and that are founded on different natural and socio-economic conditions have appeared. These classic units and classic models have the following general characteristics:

(1) Improvement of the ecological environment as a premise and improvement of economic and social results as their direct goal, ecological, economic, and social effects being closely linked.

(2) Attention to the overall application of ecological agrotechniques, carrying out a readjustment and a rational patterning of the regional makeup of farming, forestry, and animal husbandry to bring overall agricultural production more in line with ecological laws and economic laws.

(3) All around application of all ecological agrotechniques as conditions warrant to build an optimum ecological agrotechnical system.

(4) Attention to the development of land utilization techniques, particular attention going to the building within identical land units of various kinds of three dimensional agricultural ecostructures that use the environment and resources in multiple ways.

(5) Attention to the use of an ecological agrotechnical system combining the farming industry, the breeding industry and processing industries for agricultural and agricultural byproducts, thereby using agricultural products and byproducts at various levels and in various ways to achieve multiple economic and ecological benefits in increasing output and increasing value while eliminating pollution.

(6) Ecological agrotechniques centering around little or no plowing are in process of being popularized and promoted in farm crop production.

5. Two Present Tendencies That Should Arouse Serious Attention

As was said above, many of the resources, environmental and ecological problems that accompany and are brought about by petroleum intensive agriculture are related to the large scale use of chemical fertilizers and pesticides. Though we are all for the role of chemical fertilizers and

pesticides in the development of modern agriculture, and do not advocate the adoption of "complete abandonment or virtually no use of chemical fertilizers and pesticides" to solve this problem; nevertheless, development and use of various ecological agrotechniques that have as their main goal a reduction in the use of chemical fertilizers and pesticides should remain the main focus in reform of the existing petroleum intensive agriculture. There are two present tendencies that should be given attention to effect a turn around.

(1) Turn around in farm crop production of the tendency to neglect various ecological agrotechniques to nurture soil fertility and to control damage from diseases, insect pests and weeds.

Use of agricultural waste products such as organic fertilizer, and crop rotation that alternates the growing of non-pulse crops with pulse crops or green manure crops, and the use of various forms of intercropping, mixed cropping, and companion cropping, as well as other ecological agrotechniques are effective measures for the maintenance of soil fertility and control of the damage caused by diseases, insect pests and weeds that have been used in China's traditional agriculture. They are also an important foundation for maintaining and stabilizing the traditional agricultural ecosystem. Clearly, these techniques can continue to function in maintaining the ecology in modern agriculture, and in improving the country's present petroleum intensive agriculture. However, these ecological agrotechniques are more and more neglected for various economic, technical and managerial reasons. A survey conducted in Henan Province (Lu Wen [4151 2429], 1986) showed a 20 percent decrease over the same period in the previous year in the area planted to green manure in the spring of 1985, and a 34 percent decline over the previous year in the spring application of farmyard manure. In numerous cities, manure is no longer used. A survey conducted in five counties of Jinzhou City in Liaoning Province (Yang Guorui [2799 0948 3843], 1986), showed that 11.6 percent of the cultivated land in 23 percent of peasant households received no farmyard manure in the spring of 1986. In 32 percent of peasant households, i.e., on 33 percent of the cultivated land, only between 1 and 2 cartloads of mud fertilizer were applied to each mu of land. In addition, during the 4 years since the advent of contracting linked to output, some peasant households have applied no manure whatever to the fields. In 1984, the area sown to soybeans in Jilin Province was 32 percent smaller than in 1979, the area sown to soybeans in 1984 amounting to only 10.6 percent of the grain crop area. Meanwhile, the area sown to corn has increased 16 percent in 5 years. In 1984, the corn growing area stood at 53 percent of the grain growing area. Even though widespread publicity has been given in recent years to various ecological agrotechniques that can be applied, the ability of the agricultural ecosystem to regulate itself, and its stability has become increasingly weak, and it has come to depend increasingly on inputs of petroleum energy in the form of chemical fertilizers and pesticides.

Despite the emphasis many people have placed in discussion of problems pertaining to the agricultural ecology on increasing the elementary productivity of green plants as an important ingredient in the betterment of the agricultural ecology, few pointers have been given on just how to use ecological agrotechniques to improve green plants' (particularly farm crops') elementary productivity. One must realize that, virtually without exception, increase in the elementary productivity of plants is the most basic goal in any kind of agriculture. The question is what methods to take to raise it. If such an increase is simply to continue large inputs of chemical fertilizers and pesticides, the result will be movement toward just the reverse of ecological agriculture.

2. In making multiple use of agricultural products and their byproducts, there is a tendency to pursue "numerous links" and "long chains."

As was said earlier, the pattern of material and energy flow through the food chain in the ecosystem of recent years have given rise to a series of forms for the multi-stage and multi-level use of agricultural products and their byproducts. Though many of these forms have been successful and provide market economic and ecological benefits, many of them are only a pursuit of "numerous links" and "long chains" for their own sake. In reality, they lack an ample experimental basis and they also lack real feasibility. The results shown in Figure 1 provide inspiration. This is a material flow chart that uses the element nitrogen to show a multi-stage, multi-level utilization system for agricultural products and byproducts that the author drew on the basis of the results of a very interesting experiment performed by Sun Yufang [1327 3768 5364].¹ The chart uses relative percentage values for the biological energy and total amount of nitrogen contained in straw raw material, which are expressed in terms of individual amounts of biological energy and amounts of nitrogen in each link in the food chain. This appears to be a very ordinary example of the multiple use of agricultural byproducts; nevertheless, we can clearly read the following points from it:

(1) The proportion of energy and nutrient material content in the product at each stage in the nutritional process is very slight. Most of the material energy and nutrient material is not transformed into product but remains in waste; or it is lost in the form of heat or gas. In the natural ecosystem, the stage-by-stage correlation in the food chain of predators and the preyed upon follows a "10 percent law." This is to say that the energy conversion rate between one nutritional stage and another is approximately 10 percent. Despite the difference between the situation under artificially controlled conditions and the natural ecological system, the tendency toward no transformation of most energy and nutrients is immutable. Thus, the longer the chain, the greater the loss of materials and energy. Obviously the production system for such a food chain is not simple production "without waste;" rather, the "utilization of waste" to produce energy and nutrients is accompanied by great losses.

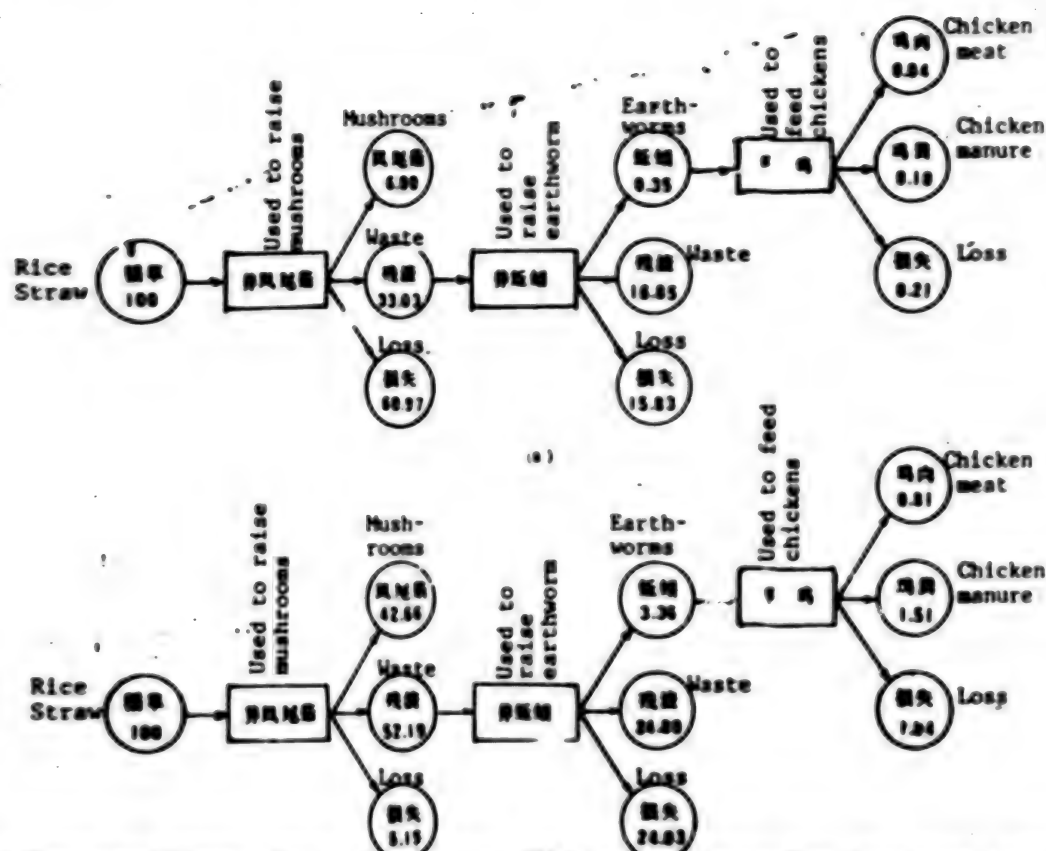


Figure 1. Energy and Nitrogen Nutrient Flow in a Multi-Level Production System From Rice Straw to Mushrooms to Earthworms to Chickens. The Numbers Shown Are Percentages of Rice Straw, the Value of Which is 100 Percent

(2) Application of proper techniques to control the length of the nutrition chain can yield marked economic and ecological benefits. In this example in which rice straw is used to raise mushrooms, 42.66 percent of the nitrogen content of the rice straw is used by the mushrooms, only 5.15 percent of the nitrogen being lost. A large amount of nitrogen remains in the waste. Consequently this nutritional link not only increases the economic value of the rice straw, it also conserves and uses a large amount of the nutrient material. If the waste from the raising of the mushrooms is further used to raise earthworms, and the earthworms are used to feed chickens, only 1.55 percent of the nitrogen in the mushroom waste is transformed into the final chicken product and nearly half the nitrogen nutrient is lost. On this basis, the economic benefit derived from using the mushroom waste to raise earthworms for feeding to chickens is much less than from returning the mushroom waste to the fields as fertilizer to replace chemical fertilizer, or use of the mushroom waste directly as fuel.

China's rural villages suffer from a severe shortage of energy for use in daily life. As a result, they have no choice but to use as fuel large amounts of organic material from agriculture that would otherwise be returned to fields as fertilizer. If the tendency to pursue

"numerous links" and "long chains" in the multiple use of agricultural byproducts increases, the already very serious shortage of organic matter in agriculture will become even more serious as a result of the loss of large amounts of it in growing processes. Objectively, this will make the country's agricultural ecosystem more "petroleum intensive" and "less organic."

Improvement of the country's petroleum-intensive agriculture, particularly a reversal of the aforementioned two tendencies that deserve attention, will require efforts in many regards. However, doing a better job of research and development of ecological agrotechniques is of crucial importance. This includes increased scientific critiques and improvement of practice in the use of ecological agrotechniques. Study and exploration of modern ecological principles can provide a series of traditional ecological agrotechniques for reference and application to modern agriculture, and can bolster research of a basic nature on ecological agrotechniques for the agricultural ecology and for the economics of technology. In addition, attention should also be given to doing a good job of publicizing and popularizing information about the modern ecology and the agricultural ecology.

(Draft Accepted 16 January 1987)

1. Sun Yufang: Study of the Ecological Functioning of the "Rice Straw-Mushrooms-Earthworms-Eating Chicken" Food Chain, Masters Degree Thesis at Shenyang Agricultural University, 1985.

About the author: Wan Dazhong is a 46 year old male who graduated in 1964 from the Institute of Forestry and Soil Science, Chinese Academy of Sciences as an assistant research fellow. He is currently serving as deputy director of the Farmland Ecology Institute of the Institute of Forestry and Soil Science where he is responsible primarily for research on the agricultural ecology and the forestry ecology. His current major research orientation is toward agro-ecological energetics or energy flow in the agricultural ecological system, as well as the functioning of the agro-ecological system and ecological agriculture. From 1982 through 1984, he worked at Cornell University in the United States with Professor D. Pimentel,

conducting research on some of the agro-ecological systems of China during different periods. He has produced a total of 50 independently published or jointly published papers, monographs, and translations. Some of his papers have been published in foreign academic journals and monographs.

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Sichuan Grain Prices

40060124b Beijing JINGJI CANKAO in Chinese
8 Jan 88 p 2

[Excerpt] The Sichuan Provincial Grain Bureau and Price Bureau has issued a notice stating that beginning on 1 April 1988 the purchase price for 50 kilograms of contract medium-grade wheat will increase from 20.3 yuan to 21.8 yuan; the purchase price for 50 kilograms of medium-grade corn will increase from 16 yuan to 17.5 yuan.



A unit of the Chinese strategic missile force.

Strategic Rocket Force Capability
40000129 Hong Kong TA KUNG PAO, Weekly
Supplement in English 14-20 Jan 88 p 3

[Text] China's strategic missile force has successfully developed its nuclear counterattack ability, the People's Daily reported on 9 January.

Founded in 1966, the force has developed into a combined military unit and has become a major part of China's national defence system.

The paper quoted an officer of the force, called No. 2 Artillery Corps [Second Artillery Corps or China Strategic Rocket Force], as saying: "After many test firings, it is now certain that China already has reliable nuclear counterattack ability."

Reports on Strategic Rocket Force

Simulator for Warhead Monitoring
40050093 Beijing JIEFANGJUN BAO in Chinese 3 Jan 88 p 1

[Text] An advanced simulator for missile warhead monitoring has been successfully developed by a certain unit of the Second Artillery Corps [China Strategic Rocket Force] and is currently being put to use. Because it is small and lightweight, has high reliability, and is easy to repair, it is an ideal device for units to use in their monitoring training.

Missile Tunnel Construction Suffers from Landslides

40050093 Beijing JIEFANGJUN BAO in Chinese 3 Jan 88 p 1

[Excerpts] A volunteer in 1st Company of a certain engineer regiment of the Second Artillery Corps [China Strategic Rocket Force] has led soldiers in dealing with 510 landslides in his 7 years of service, has personally cleared up more than 70 dangerous situations, and has saved the lives of 13 fellow soldiers. A certain tunnel is located in a rocky mountain. In the 3 years it was under construction, more than 3,900 landslides of varying degrees occurred.

PLA Leaders Attend Equipment Work Meeting
OW200818 Beijing XINHUA Domestic Service in Chinese 1326 GMT 13 Jan 88

[Excerpts] Beijing, 13 Jan (XINHUA)—An army-wide Equipment Work Meeting, which was held recently, stressed that it is necessary to accelerate and deepen the reform of the army's equipment work and take a path of weapons and equipment development that is suited to the needs of China's national conditions.

Comrades who attended the meeting pointed out that a certain gap exists between our army's weapons and equipment and those of developed countries. However, not all our weapons and equipment are backward. Our army commanders and fighters used Chinese-made weapons and equipment to successfully fulfill the task of defending the motherland and striking back at foreign aggression. The meeting pointed out that weapons and

equipment are the comprehensive embodiment of a nation's power. Our army's equipment must be oriented to our nation's power during the initial stage of socialism.

Leading comrades of the Central Military Commission and the three General Departments Yang Shangkun, Hong Xuezhi, Liu Huaqing, Chi Haotian, Yang Baibing and Zhao Nanqi met comrades attending the army-wide Equipment Meeting on 13 January.

Guangzhou Military Region Cracks Down On Bureaucratism

OW220157 Beijing XINHUA Domestic Service in Chinese 0123 GMT 14 Jan 88

[Text] Guangzhou, 14 Jan (XINHUA)—The Guangzhou Military Region has cracked down on bureaucratism. Since last June, 18 responsible persons from units have been disciplined for practicing bureaucratism which caused serious incidents.

A political incident took place in a military subdistrict unit in Guangxi in late June last year. An investigation showed that the incident was directly related to the bureaucratic style of the military subdistrict's leadership. In line with the seriousness of their offenses, the party committee of the Guangzhou Military Region dismissed the director of the military subdistrict Political Department and gave the commander and political commissar of the military subdistrict a disciplinary warning and a serious warning, respectively.

A serious dereliction of duty on the part of the leader of a certain warehouse under the Guangzhou Military Region caused a major poisoning incident to take place at the warehouse. The warehouse's chief operations officer and the deputy leader of the storage team were respectively given disciplinary and administrative sanctions. In the past, some units only punished the person directly responsible for an incident, while the leader or leaders were not investigated for their responsibility in the mishap. The leaders of some units frequently absolve themselves from mishaps caused by their own bureaucratic practices with excuses such as "work accident" and "inexperience," or they shift the blame to the entire "leading body." The party committee of the Guangzhou Military Region maintains that such practices are not only counterproductive to combatting bureaucratism, but violate the principle of seeking truth from facts as well. It has decided to clearly affix the blame by investigation and to seriously punish any leading cadres responsible for incidents. Leaders whose dereliction of duty has caused serious mishaps or incidents, who have violated laws or discipline by appointing cadres through

favoritism or by assigning people of bad character to important posts, or who have caused serious losses by overlooking the seriousness of an incident will be subject to serious punishment.

Hong Xuezhi Addresses PLA Logistics Conference

OW171525 Beijing XINHUA Domestic Service in Chinese 1430 GMT 16 Jan 88

[By RENMIN RIBAO reporter Luo Tongsong and XINHUA reporter Zhang Haiping]

[Text] Beijing, 16 Jan (XINHUA)—The army-wide logistics work conference that opened on 6 January ended today. Hong Xuezhi, deputy secretary general of the Central Military Commission, spoke at the closing session, urging all Army logistics personnel to be devoted to duty, honestly perform their work, and observe discipline in order to become a "red housekeeper" who serves the Army wholeheartedly.

Affirming the Army's logistics work over the past year, Hong Xuezhi said: Despite a tight defense budget which could impose strains on the work, the logistics departments at all levels proceeded from the overall situation in conscientiously subordinating local interests to national interests and trying their utmost to fulfill tasks, making careful calculations, strict budgeting, and reasonable arrangements, thereby accomplishing the work with less manpower and financial resources.

He said: Along with the deepening of the state economic structural reform, the Army's logistics work is confronted with a new situation and problems which will require the logistics personnel to take the initiative to actively carry out reform step by step and ensure its success. In logistics work reform, we should not demand perfection and unduly fast speed, still less assuming an attitude of "Lord Ye's love for a dragon," i.e., paying lip service to reform and resisting it when it conflicts with one's selfish interests. All reform measures must be aimed at harnessing enthusiasm, stimulating vitality, increasing efficiency and economic results, and building up the logistics and fighting capabilities.

He said: Logistics work involves practical areas, some of which are rather complex and which have a bearing on the advance of all endeavors and the vital interests of large numbers of cadres and fighters. All logistics personnel should adopt an overall viewpoint, be prepared against war, maintain close ties with the masses, correctly apply policies, and practice economy. They should also cultivate a strict, accurate, fast, and meticulous work style, tell the truth, do solid work, and stress efficiency in order to solve problems for PLA units in a down-to-the-earth manner and serve them wholeheartedly.

Chi Haotian, Yang Baibing, Zhao Nanqi, Liu Anyuan, and other leading comrades of the three headquarters attended the closing session today.

EAST REGION

Jiang Zemin Proposes Tasks For Overcoming Bureaucratism

Shanghai JIEFANG RIBAO in Chinese 13 Oct 87 p 1

[Excerpts] Yesterday morning at a conference of responsible Shanghai cadres, Mayor Jiang Zemin said: "Bureaucratism is still far from being overcome and eliminated in our party and government agencies and enterprise leadership agencies, we must not relax our fighting will and should unremittingly continue the struggle to overcome and prevent serious bureaucratism!" When looking back on this section of work, Jiang Zemin stated that the overall situation is good and effective. However, compared with the demands of the party Central Committee and the State Council, Shanghai still has a very great gap. The primary problems that exist at present are: development is uneven, individual units still have not mobilized; many units have investigated and handled mishaps, but the cases do not go any deeper. Jiang Zemin stated the work of the previous 4 months is only a good beginning and that the struggle to overcome and prevent serious bureaucratism should go on unremittingly for a long time. It must be noted that serious bureaucratism often breeds major mishaps and covering up economic crimes harms the image of the party and government; it should also be noted that bureaucratism is a long-standing, complex historical phenomenon, thus we definitely should deepen our understanding of the serious threat serious bureaucratism under the new situation poses to the party and state and maintain a high degree of vigilance with regard to bureaucratism. When talking about future work, Jiang Zemin emphasized that we should draw three distinctions distinguishing quality and differential treatment. One distinction is between reform errors and bureaucratism. The two have clear differences in subjective motivation, attitude and method, and objective results and as long as we penetrate the actual situation and study very carefully they will not be difficult to differentiate and handle. The second is the distinction between general bureaucratism and serious bureaucratism. General bureaucratism refers to defects in ideological style and work style created by many factors, such as leadership system, cadre quality and new times and new situations, for example duplication of agencies, overstaffing, too much paper and too many meetings, low efficiency, etc. But although serious bureaucratism also has its causes in the system, it is primarily created by individual leaders dereliction of duty and serious neglect of duty. The two are essentially different and methods of handling them are also different. Third is the distinction between serious bureaucratism and malfeasance. The handling of serious bureaucratism is within the scope of party discipline and government discipline but the handling of malfeasance is within the scope of criminal activity. To continue to emphasize the struggle to oppose and overcome serious bureaucratism, Jiang Zemin said that there are 3 tasks which should be stressed now: (1) Each

system and unit should conscientiously review and summarize the struggle of the previous four months; (2) efforts should be concentrated to continue resolutely investigating and handling serious irresponsible bureaucratism and neglect of duty and malfeasance behavior and grave pernicious mishaps and cases; (3) beginning with the municipal committee and municipal government, level by level, we should continue to establish a position responsibility system and mishap prevention measures; (4) improve leadership style, strengthen face-to-face leadership and firmly plant agency work roots at the grass-roots level; (5) further strengthen the party's ideological and political work and cadre education and form among all cadres an attitude that wholeheartedly serving the people is glorious, high efficiency work is glorious and bureaucratism is disgrace.

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SOUTHWEST REGION

Guizhou Leader Discusses Rural Party Building

HK130602 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 9 Jan 88

[Text] In his speech at a recent provincial forum of organization department directors at the prefectural and city levels, Long Zhiyi, deputy secretary of the provincial party committee, noted: We must give first place to strengthening the building of rural grass-roots party organizations, and successfully grasp this work.

Comrade Long Zhiyi added: Strengthening the building of rural grass-roots party organizations should be treated and promoted as part of our important work of implementing the spirit of the 13th Party Congress and strengthening party building in close connection with Guizhou's real conditions. Prefectural and county party committees and particularly party committees below the county level must successfully promote this work in the spirit of the implementation of party rectification of a few years ago and of the holding of elections at county and township levels of last year. To enable the party to manage party affairs, we must first promote party building.

Comrade Long Zhiyi said: In strengthening the building of rural grass-roots party organizations, we must unswervingly implement the spirit of reform. The spirit of reform must be implemented in two aspects. First, we must proceed from the targets of our construction, and enable our rural grass-roots party organizations to do a still better job of implementing the party's basic line for the initial stage of socialism and meeting the needs of the party's basic line. Second, party building must be carried out through implementing the spirit of reform; failing to implement the spirit of reform means failing to suit the needs of the party's basic line and slipping back into the old rut. At present, in promoting party building and reform, we must pay attention to the following two issues.

First, what type of people should we rely on in running party branches? Regarding this issue, first of all, there must be conceptual changes. Every age has advanced elements, as does every revolutionary stage. During the new historical period, the theory of the initial stage of socialism, and practice, show that advanced figures possess the following two major characteristics: a relatively strong sense of commodity production, and a relatively high degree of political consciousness. In simple language, such advanced figures are capable of taking the lead in attaining personal prosperity and leading the masses to attain prosperity. Their successes in taking the lead in attaining personal prosperity shows that they have both a relatively strong sense of commodity economy and the ability to attain prosperity. The advanced figures' activities of truly leading the masses to attain prosperity show that they have achieved the political consciousness and awareness of working for the wellbeing of the people, and that they have both ability and political integrity. We must be good at discovering, training, and boldly employing such advanced figures.

Second is the issue of reforming the content and pattern of activities carried out by rural party branches. Through

reform, we must enable our rural party branches to be attractive and to have both cohesive and fighting power. The pattern and content of our activities must be able to arouse the interest of our party members and the masses. By carrying out activities in close connection with the interests of the masses, we will be able to rally the masses around the party branches. Only by having party branches that are attractive and possess cohesive power can we talk about their fighting power and about the ways to give full play to the role of the rural party branch as a fighting bastion.

Comrade Long Zhiyi said: In strengthening the building of rural grass-roots party organizations this year, we must be determined to successfully carry out several items of practical work. First, we must make sure that village cadres get paid. Second, we must do well in training cadres of village party branches. Party schools of county party committees must take on this training work. Third, we must do well in truly promoting audio-visual education.

Taiwan Becomes 13th Largest Trading Nation
OW310425 Taipei CNA in English 0256GMT 31 Dec 87

[Text] Taipei, Dec. 31 (CNA)—The Republic of China [ROC] is the world's 13th biggest trading nation as a result of the significant growth of its foreign trade, which will total U.S. \$88 billion in 1987, Vincent C. Siew, director-general of the Board of Foreign Trade [BOFT], said Wednesday.

Speaking at a yearend press conference, Siew said that 1987 has been a good harvest year for the ROC in terms of foreign trade because import growth has for the first time exceeded export growth thereby contributing to a virtual balancing of its trade. In addition, the nation also succeeded in further diversifying its foreign markets.

The appreciation of the new Taiwan [NT] dollar as a result of the nation's growing trade surplus and its large

foreign exchange reserves have cast a shadow over the nation's future trade developments, Siew said.

Some people have even predicted that the adverse effects of the NT dollar's appreciation will begin to emerge in 1988 and the worsening economic situation in the United States will cause a decline in world trade that will slow the ROC's economic growth.

However, others are more optimistic and predict the ROC will still enjoy a considerable economic growth in 1988 because the NT dollar's appreciation is an indication of the ROC's economic strength, the 1988 U.S. economy will not worsen, and international oil prices are expected to remain stable.

In order to reach the 1988 foreign trade goal of U.S. \$100 billion, the government will make greater efforts to increase imports and to strengthen the diversification of the nation's overseas markets, Siew said.

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